**ASIAN MARKETS** 

**0.48%** 

TOKYO

**0.29%** 





\$64.74

# Most state banks hit by capital deficit

Six of the eight banks had a shortfall of Tk 15,953cr in March

AKM ZAMIR UDDIN

STOCKS

**V** 0.15%

CSCX

0.01%

DSEX

COMMODITIES

Gold A

\$1,410.10

Six of the eight state banks faced capital shortfall in the first quarter of the year, a development that shoves the government under the spotlight for its non-action against the lenders' errant ways.

As of March, Agrani, BASIC, Janata, Rupali, Bangladesh Krishi Rajshahi Krishi Unnayan had combined capital shortfall of Tk 15,953.41 crore, according to Bangladesh Bank data.

"The state banks cannot continue this way," said Ahsan H Mansur, executive director of the Policy Research Institute. The government injects capital into

been no improvement in their capital base or their corporate governance. In the last 17 years, the government

the state banks every year but there has

has injected a total of Tk 20,584 crore into the state banks. This year, it will provide Tk 1,500 crore.

a bad practice at a time when they are engaged in financial corruption, Mansur said.



BKB	8,885
Janata	4,888
ICB Islamic	1,569
Agrani	1,054
RAKUB	735
BCBL	434
AB	377
BASIC	237
Rupali	155
NBP	54

The financial indicators disclosed Injecting capital into the banks is by the state banks mask their actual scenario.

SOURCE: BB

"The actual scenario is worse, so the banks, he added. government should take immediate

INTERLOCK

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measures," multiply January and March of this year. will otherwise, leaving virtually toothless then.

The government should task the state lenders' management and

board every year with raising a certain amount of capital as recapitalisation with taxpayers' money on a regular basis is not a long-term solution, said Khondker Ibrahim Khaled, a former deputy governor of the central bank.

Both the managing directors and the chairperson of the state banks should be removed if they fail to meet the capital-raising target.

also bring the persons to book who are responsible for the existing capital shortfall, he added. The central bank earlier took decision to increase the banks' capital

Besides, the government should

adequacy ratio (CAR) to 12.50 percent within this year from 10 percent with the view to implementing the Basel III guidelines in full. But, the state banks will not be able to implement the Basel III guidelines on time as their CARs are well below

than the regulatory requirement, said a BB official The banks that fail to implement the guidelines will face trouble in conducting business with foreign

Meanwhile, four private banks he -- AB, Bangladesh Commerce, ICB said, adding that Islamic and National Bank of Pakistan capital shortfall -- also faced capital shortfall between

The central bank should take the government responsibility for the capital shortfall of the private banks too, said Mansur, also a former economist of the International Monetary Fund. "If the sponsors of the private banks fail to inject capital, the central bank should merge them with the stronger banks."



CURRENCIES

**BUY TK** 83.50

Friday closing

SHANGHAI

**V** 0.60%

SINGAPORE

**V** 0.21%

#### Tembon new WB country director

STAR BUSINESS REPORT

Mercy Miyang Tembon has recently been appointed as the World Bank's new country director for Bangladesh and Bhutan.

The Cameroonian national will lead the implementation of the WB group's country partnership framework in support of the development priorities of both countries.

She will also lead the policy dialogue with government counterparts, civil society and other stakeholders to achieve country development goals.

Tembon will bring to her new role of bank operations, a track record in promoting economic growth and social development in several countries and a reputation for developing strong partnerships with stakeholders, the WB said in a statement.

She will also bring to this position a unique combination of experiences working at the country and sector levels, coupled with extensive multicultural experience of living in different countries and working in several languages.

READ MORE ON B3

# Japan to lend \$1.31b for Matarbari power plant

STAR BUSINESS REPORT

Japan has agreed to lend Bangladesh \$1.31 billion under the 40th official development assistance (ODA) loan package for the construction of the Matarbari ultrasupercritical coal-fired power plant.

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Earlier, Bangladesh signed a deal for over \$1.2 billion with Japan for four projects, including the second metro rail connecting the capital's airport and Kamalapur, during Prime Minister Sheikh Hasina's visit to Japan on May 28-31.

Now, the total assistance of Japan under the 40th ODA reached \$2.51 billion, which is 38.67 percent higher than the 39th.

Relations Division (ERD), signed the exchange Tk 126.55 crore. of notes with Hiroyasu Izumi, ambassador of Japan to Bangladesh, and the loan agreement crore for the densification of global with Hitoshi Hirata, chief representative of the Bangladesh office of the Japan International Cooperation Agency (Jica).

The interest rate of the new loan is 0.09 percent for construction and 0.01 percent for consultation services while the frontend fee is 0.2 percent with 30 years of repayment period, including 10 years of grace period. The objective of installing the 1,200MW

plant at Maheshkhali upazila in Cox's Bazar is to meet the growing electricity demand and ensure stable power supply, the ERD said in a statement yesterday. The project was approved by the Executive Committee of the National

Economic Council on August 12 in 2014. It is scheduled to be complete by June 2024. Besides, the government signed two

Monowar Ahmed, secretary of the Economic grant agreements, involving \$15 million or Of them, JICA will provide Tk 93.55

navigation of tidal station in Bangladesh and Tk 33 crore for a project of "human resources development scholarship".

## Stocks unmoved by budget changes

AHSAN HABIB ......

Stocks fell yesterday despite the government's move to soften its harsh Kamal proposed 15 percent tax if a listed proposals for the capital market in the final budget for fiscal 2019-20, suggesting the investors are not satisfied with the changes.

Dhaka Stock Exchange, shed 8.4 points to close at 5,421.62 points. The parliament yesterday passed the

budget that brought down the tax on retained earnings and reserves of listed companies to 10 percent from the proposed 15 percent.

conditions for holding on to retained earnings: a company has been allowed to keep 70 percent of its profits in a year as retained earnings.

If the company retains more than 70

percent, then it has to pay additional 10 percent tax on the amount it retains.

Initially, Finance Minister AHM Mustafa company's retained earnings stand at more than 50 percent of its paid-up capital.

The government also brought down The DSEX, the benchmark index of the tax to 10 percent for companies that reward their shareholders with more stock dividend than cash. Earlier, a 15 percent tax was proposed for companies that gave out stock dividend.

While the changes in the final budget are a relief, the provisions would still be taxing on the growth-led companies and financial The government has also relaxed institutions, said Mohammed Rahmat Pasha, managing director of UCB Capital.

> "The budget still hampers capital formation," said the chairman of a listed financial company requesting anonymity.

READ MORE ON B3

ONLINE SHOPPING

## VAT 5pc, comes into effect today

STAR BUSINESS REPORT

The value added tax (VAT) proposed in the budget for 2019-20 on online shopping comes into effect from today, albeit at a reduced rate and under a new calculation. Amidst the e-commerce industry's outcry and

campaigns, the rate has been reduced to 5 percent from 7.5 percent, the e-Commerce Association of Bangladesh (e-CAB) said in a statement yesterday. However, the taxes proposed on telecom services has

remained unchanged, according to the statement.

The VAT on online shopping will be calculated based on the difference between what a company pays for a product and sells it for, it said. For instance, if a company buys a product for Tk 100 and sells it at Tk 110, the 5 percent will be calculated on the Tk 10 difference, meaning the VAT will be Tk 0.5.

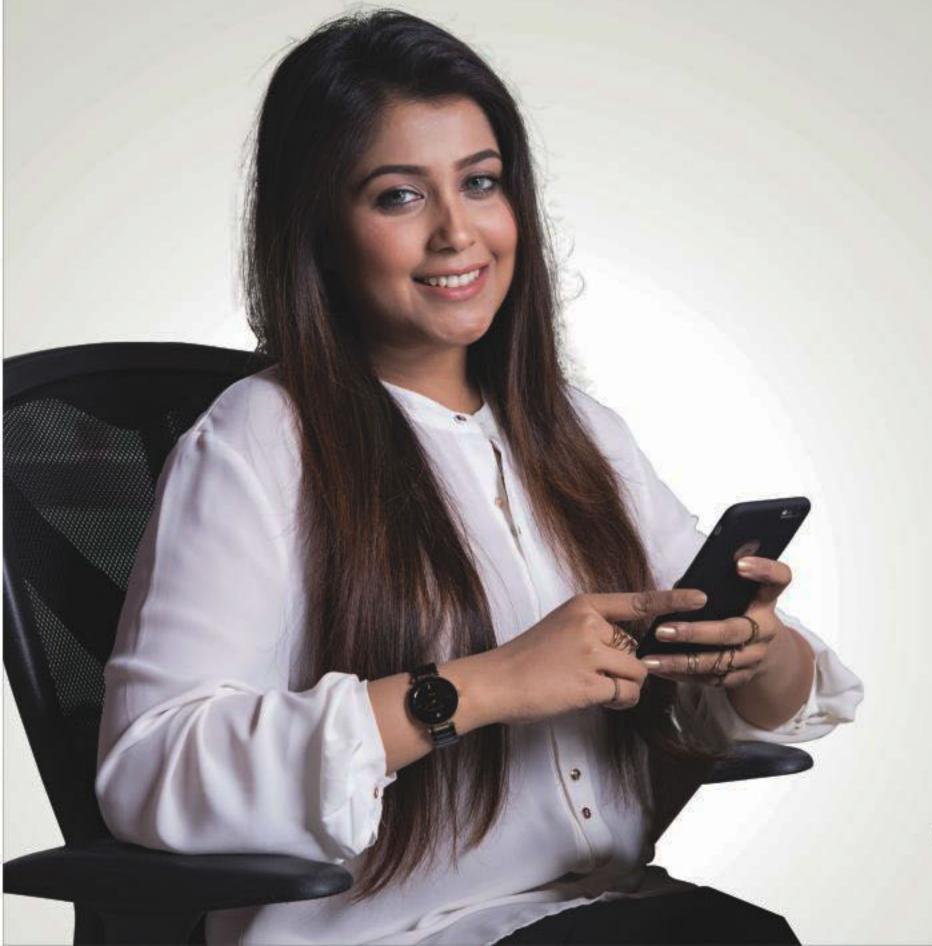
Terming the rate reduction an achievement of theirs, Abdul Wahed Tomal, the e-CAB general secretary, expressed discontent with the calculation process.

He cited an example of most companies selling products below cost prices in an effort to attract customers, asking how the VAT would be calculated then.

"We continue to raise our demand for full withdrawal of the VAT from digital commerce for at least the next five years for the sake of digitalisation of the country's business process," Tomal told The Daily Star.

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First Time in Bangladesh!





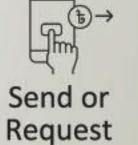
iPay Welcomes

**CUSTOMERS** of BRAC Bank

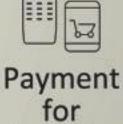
BRAC Bank Customers Can Now Instantly Add Money To iPay Wallet And Withdraw Money From iPay Wallet Free Of Charge



Add or Withdraw money



money



shopping

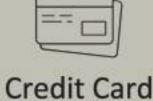


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