

এসআইবিএল

সুপার ডিপিএস

প্রাক্কলিত মুনাফা:

৩ বছর

৫ বছর

১০ বছর

৯.২৫%

৯.৫০%

১০%

ইসলামী শরীআহ এর মুরাব্বা নীতির ভিত্তিতে পরিচালিত।

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Social Islami Bank Limited

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BUSINESS

DHAKA WEDNESDAY JULY 10, 2019, ASHAR 26, 1426 BS

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LIQUIDATION OF PEOPLE'S LEASING

# General shareholders may lose Tk 193cr

AHSAN HABIB

The general shareholders of People's Leasing and Financial Service (PLFS) that is staring at liquidation are likely to lose their entire amount, further raising the stakes for the government to penalise those responsible for driving the company into the ground.

As of May 31, retail investors held 68 percent of the non-bank financial institution's stock, according to the Dhaka Stock Exchange.

If the liquidation goes through -- which will be a first in Bangladesh's financial sector -- the general shareholders stand to lose about Tk 193.52 crore and institutional investors Tk 25.75 crore.

In the event of liquidation external creditors are paid off first and then the depositors, debenture holders and preferential shareholders in that sequence, according to Mohammad



Mohiuddin Ahmed, executive director of Financial Reports Monitoring Division at Financial Reporting Council.

The general shareholders' turn comes in the end, once all parties have been paid off. They get a sum if the net asset value per share is positive.

But in PLFS's case its net asset value or NAV is Tk 67.66 in the negative as of March 31.

"There is no possibility of the shareholders getting anything as PLFS's NAV per share is so negative," Ahmed said.

Only if the leasing company has properties whose values were shown to be lower than the market values can the shareholders get something.

"But the possi-

bility is very low," he added.

Dawned with the possibility, retail investors of the PLFS yesterday tried to dump their shares but in vain.

Zahid Hasan, one of the retail investors, told The Daily Star yesterday that the leasing company could have gone into liquidation much earlier.

On September 30 last year the NAV per share was Tk 10.20, according to the DSE.

"Then the depositors and stock investors could have gotten some money," he added.

Each PLFS stock traded at Tk 3.6 yesterday, down from Tk 11.20 a year ago.

The NBFIs's problems began in earnest in 2013-14, when some of its directors made off with more than Tk 1,000 crore by way of submitting fake documents, according to a central bank inspection report.

In 2015, the central bank had removed five directors for their involvement in the financial scandal.

But it was not enough. Since then the bank has been on a downward spiral.

For instance, in the first nine months of last year PLFS's operating expenses stood at Tk 22.48 crore against the operating income of Tk 2.05 crore.

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# Very few take up offer to whiten money

SOHEL PARVEZ

A trivial number of people showed their undisclosed incomes voluntarily and paid penalty and regular tax to legalise the sums, according to data from the National Board of Revenue (NBR).

Some 223 taxpayers disclosed their undeclared income amounting to Tk 197 crore in the three years since the fiscal 2016-17, yielding the tax authority Tk 37 crore in tax, according to provisional data from the NBR.

"This is very insignificant. It may be that holders of black money have taken the matter lightly because of amnesty given by successive governments," said Zahid Hussain, former economist of the World Bank.

The highest amount of black money was whitened during the last caretaker government's tenure amid fear of getting caught by the anti-graft body.

During the tenure of the caretaker government Tk 9,682 crore was whitened, which is 70.12 percent of the total amount whitened between 1972 and 2013.

And the tax authority got Tk 911 crore in tax, according to data from the finance ministry.

"A temporary window was opened then to encourage disclosure of undisclosed income. It has to be a temporary opportunity or else people will continue to do the same."

Furthermore, there should be a credibility of such schemes that one

would get caught later on if the chance is not taken.

"At the same time, they have to be sure that nobody will ask questions.

During the tenure of the caretaker government Tk 9,682 crore was whitened, which is 70.12 percent of the total amount whitened between 1972 and 2013

If there is possibility of investigation by other agencies, a major chunk of the money will not be disclosed," said Hussain.

On the argument by some policymakers that money would be siphoned off abroad if the opportunity to whiten money is not given, he said money earned illegally and through corrupt means might be sent abroad.

"Tax benefits were given by every

government but have we seen the money returning? Our experiences do not suggest that," he added.

The Awami League-led government introduced the scope of voluntary income disclosure from fiscal 2012-13.

In the first year, 273 individuals availed the opportunity by disclosing Tk 133 crore. They paid taxes and fines amounting to Tk 33.36 crore.

A year later the government offered the scope to legalise black money without any question for purchase of residential buildings and apartments after payment of a fixed amount of tax based on area and size of the properties.

The window has been open since.

And this year, the government reduced the rate of tax on construction and purchase of flats apart from maintaining the scope to legalise undisclosed income without facing any question from tax authority.

The provision provides taxpayers the opportunity to show their incomes voluntarily by paying 10 percent penalty in addition to their regular tax.

Ahsan H Mansur, executive director of the Policy Research Institute (PRI) of Bangladesh, said the provision of voluntary disclosure of income is kept in income tax law in other countries too to allow taxpayers to correct omissions.

"It is a standard code."

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# Annual inflation remains within target

STAR BUSINESS REPORT

The government has been able to keep inflation within the limit it had set a year back for the just-concluded fiscal year, largely on the back of higher rice production.

Inflation stood at 5.48 percent in fiscal 2018-19, comfortably below the target of 5.6 percent for the fiscal year.

Planning Minister MA Mannan, while releasing the data at a press conference in his office in the city, attributed the achievement to a decline in prices for the higher production of crops such as paddy in comparison to demand this year.

Inflation fell to 5.52 percent in June, the lowest in four months, riding on a decline in both food and non-food prices, according to the Bangladesh Bureau of Statistics.

It was down from 5.63 percent in May this year and 5.54 percent in June last year.

Food inflation fell nine basis points from 5.49 percent in May to 5.40 percent in June while non-food inflation dropped to 5.71 percent last month, down 13 basis points from 5.84 percent a month ago.

June's inflation figure is an about-face from that of May when it hit a 13-month high owing to a sharp increase in prices of non-food items marking Ramadan, which typically sees a spike in consumption.

Zahid Hussain, former lead economist of World Bank Bangladesh, said the good news was that headline inflation has

remained stable in fiscal 2018-19 and below the 5.6 percent target in the government's medium-term macroeconomic framework.

"Decline in the food inflation counteracted the rise in the non-food inflation. However, rural inflation increased, while inflation declined in urban areas indicating gradual convergence of prices between urban and rural areas."



He said the rise in non-food inflation in both rural and urban areas appears to have resulted from demand pull effects caused by strong income growth and fiscal expansion.

"Continued policy vigilance will be needed to manage the cost-push pressures arising from the new VAT law implementation and gas price increase."

In June, general inflation in rural areas was 5.38 percent, down from 5.44 percent in May. In urban areas, inflation fell 18 basis points to 5.78 percent in June.

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## FTA WITH EUROPEAN UNION

# Vietnam a step closer to beating Bangladesh in apparel exports

REEYAT ULLAH MIRDHA

In a blow to apparel exporters, the EU, Bangladesh's largest export destination, has extended duty-free access to Vietnam, eliminating the competitive edge that the country held over its biggest rival in the trade.

As a least-developed country Bangladesh enjoyed duty-free benefit to the EU since its independence, whereas Vietnam had to pay 12 percent duty. Now, Southeast Asian country has obtained the same privilege as Bangladesh thanks to the signing of a free trade agreement (FTA) with the EU on June 30.

"We are going to face tough competition as Vietnam has become a parity of us in the same market," said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

Bangladesh will face even tougher completion once it fully graduates from the LDC bracket in 2027 as the duty benefits would be withdrawn then. Exports to the EU will then face 12 percent duty but Vietnam will continue to ship to the trading bloc at zero duty.

"So we need to lobby with the EU either for the signing of an FTA or for continuation of the duty benefit," Rahman added.

Bangladesh's apparel exports have lost 3.64 percent value in terms of price per unit during 2014-2018, whereas Vietnam's price has gone up, said Rubana Huq, president of

the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"With the gradual elimination of tariff on Vietnam's exports the price competition will be more intense."



People are seen working in a garment factory in Bangladesh.

STAR/FILE

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# Gas price hike to raise ceramic production cost

## Local manufacturers say

JAGARAN CHAKMA

The recent gas price hike will increase the cost of ceramics production by 10 percent, which will be a huge blow to the local ceramic manufacturers and consumers, sector people said.

The government has increased gas prices by 37.89 percent for industrial use, 43.97 percent for captive power and 7.5 percent for compressed natural gas (CNG), which became effective from yesterday.

The hike in gas price for industrial use and captive power will increase the production cost by 5 percent, said Irfan Uddin, general secretary of the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA).

"The rise in CNG tariff will fuel the transportation and distribution expenses, which will ultimately increase the production cost of ceramic makers by another 5 percent."

The gas price rise will hit our competitiveness both in local and international markets and the local market will be flooded with cheaper



imported products," said Md Shirajul Islam Mollah, president of the association.

The hike will create a crisis for the industry, as gas is a must for ceramics production, he said.

The demand for ceramics in Bangladesh is increasing by 20 percent on an average every year, according to data from the BCMEA.

The sector, with a market size

of around Tk 30,000 crore, has experienced 200 percent growth in production in the last 10 years, and Bangladesh now holds 0.14 percent of the global export market, it said.

The sector meets 80 percent of the local demand, Mollah said.

In fiscal 2017-18, local ceramic makers exported goods to over 50 countries worth around \$50 million, a 20 percent year-on-year

rise, according to the BCMEA.

The government should take measures to protect the local industry, which is now capable of producing world-class ceramic products, said Irfan Uddin, also a director of FARR Ceramics Ltd.

Ceramics export will be hit hard because of the rise in production cost, said Moynul Islam, senior vice president of the BCMEA.

Ceramic production cost will increase by 10 percent whereas foreign buyers do not want to increase their purchase price by more than 3 percent annually, said Islam, also the vice chairman of Monno Ceramic Industries Ltd.

"We will be in a huge trouble as China will come up with lower rates than us."

Islam prescribed some solutions to the crisis. The sector will be saved if the government increases the cash incentive for ceramic export to 25 percent from the existing 10 percent, he said.

"The depreciation of the taka against the dollar can be the other solution, as it will increase ceramic makers' export earnings."

# 94.32pc of ADP spent

## Govt shells out fivefold of monthly average in June

STAR BUSINESS REPORT

The government has been able to spend 94.32 percent of its development budget in 2018-19, going for a huge outlay in the last month of the just-concluded fiscal year, official data showed.

The spending of Tk 166,593 crore in the last fiscal year was the highest in the last six years, according to data from the Implementation Monitoring and Evaluation Division of the planning ministry.

In June alone, the government spent Tk 46,551 crore, which accounted for more than one-fourth of the Tk 176,620 crore development budget earmarked for the full fiscal year.

From its own coffers, the government used Tk 111,033 crore last fiscal year, which is 95.72 percent of the allocation. Some 92.70 percent of foreign aid allocation, or Tk 47,279 crore, was used for development purposes.

The government's expenditure from its own sources rose in the last fiscal year, compared to what it was in 2017-18. The spending from the foreign component fell, year-on-year.

Until June, the government had been way behind its development spending target.

Between July and May, ministries and divisions managed to spend Tk 120,043

crore, up from Tk 98,978 crore in the same period a year ago.

This left the government with a massive task of spending five times more, Tk 56,577 crore, in June than its monthly average of Tk 10,913 crore to reach the target.

The ADP implementation scenario, however, has changed from what it was at the beginning of the last fiscal year. It picked up in November amid the fervour surrounding the national polls in December.

A planning ministry official said the finance and planning ministries took some measures in the beginning of 2018-19 to boost the spending and the measures started to bear fruit from November.

Since November, the expenditure has averaged more than Tk 12,000 crore per month in contrast to Tk 6,216 crore posted every month in the preceding four months.

In June last year, the finance division empowered project directors, giving them authority to release funds in the first two quarters of a fiscal year by themselves instead of waiting for approval from ministries or divisions, an exercise that takes up two to three months.

Finance Minister AHM Mustafa Kamal has set aside Tk 211,683 crore for development spending in the new fiscal year, up 27 percent from the actual expenditure in 2018-19.