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Sluggish revenue to worsen credit crunch

Revenue shortfall widened further as sluggish tax collection persisted in the July-October period, stoking concerns of a credit crunch amid a surge in government borrowing from the financial sector and an economic slowdown.

The tax authority logged 4.33 percent year-on-year higher revenue to Tk 65,096 crore from July to October this fiscal year, preliminary data from the National Board of Revenue showed.

The latest collection pointed to a slowdown from the same period in the previous fiscal year when collection was 6.74 percent up.

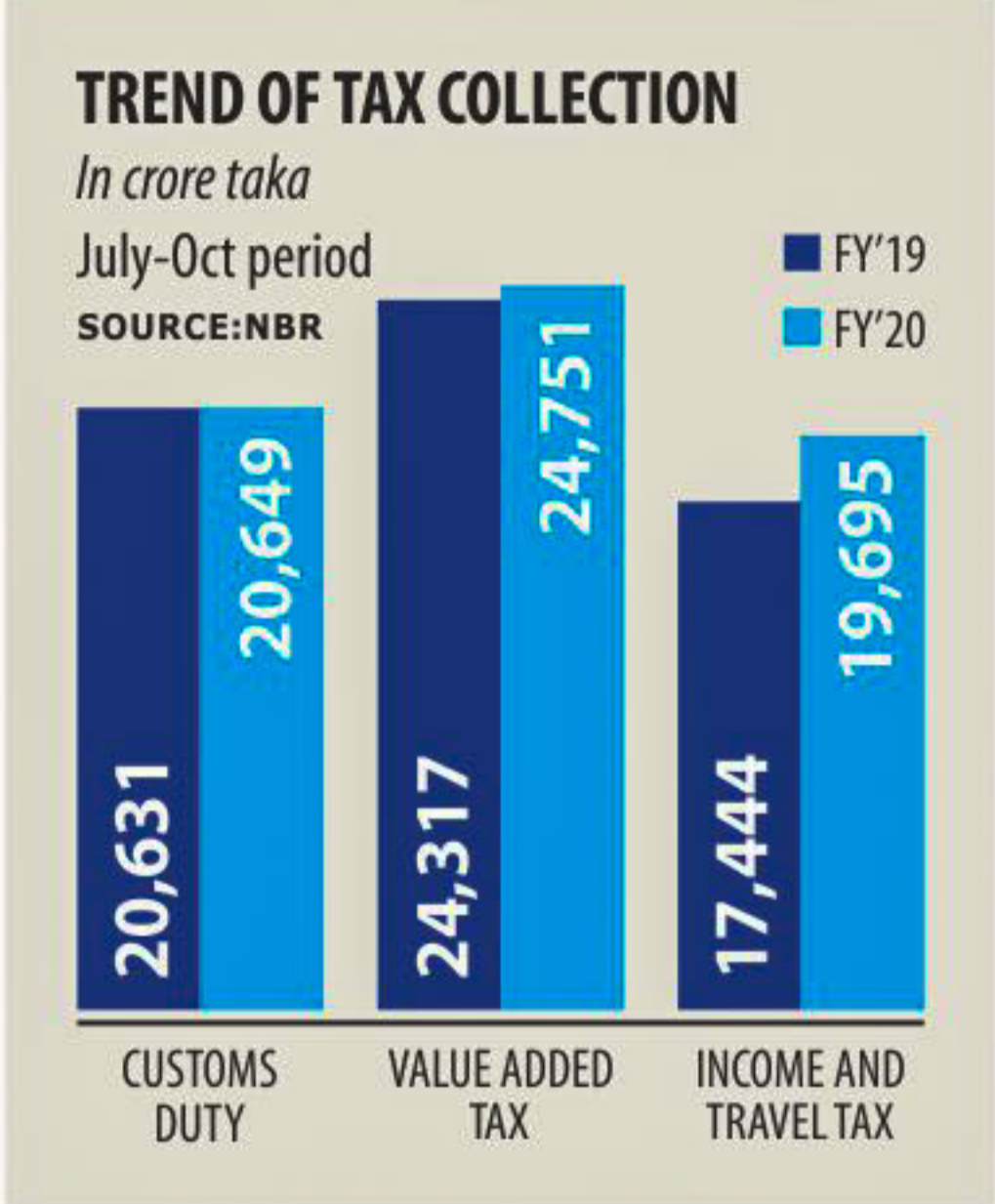
As a result, the NBR is Tk 20,220 crore shy of reaching its July-October target of raising Tk 85,317 crore. The tax authority fell short of about Tk 15,000 crore from its collection goal in the July-September period.

"The trend is very alarming. It would be tough for the government to sustain its expenditure unless revenue collection increases in line with economic growth," said Nasiruddin Ahmed, a former chairman of the NBR.

The sluggish collection has already compelled the government to increase its borrowing from banks, which may further aggravate the already tight liquidity condition in the financial sector.

Until November 21 in the current fiscal year, the government borrowed 90 percent of its full fiscal-year target of Tk 47,364 crore from the banking sector, according to Bangladesh Bank data.

The government plans to borrow an



Collection growth

July-Oct 2019-20:	4.33%
July-Oct 2018-19:	6.74%
Average annual collection growth was	13.16% in last five years
Shortfall from annual target for FY20:	Tk 260,404 crore

additional Tk 4,555 crore in December to finance its increased expenditure in the face of revenue deficit.

Ahmed, a professor at the Brac Institute of Governance and Development under the Brac University, said if the revenue collection does not accelerate, the government's borrowing from banks will increase further, crowding out the private sector.

The NBR data showed that collection of VAT, the biggest source of revenue, was up 1.79 percent year-on-year in July-October. Income tax, the second biggest source for funds for the government, grew 12.9 percent.

Customs tariff collection remained almost unchanged, partly because of a decline in imports.

But it was expected that the new Value Added Tax and Supplementary

Duty Act of 2012 will boost revenue collection when it came into effect in July this year. The law has not produced the desired outcome owing to a lot of distortions it contains, Ahmed said.

The VAT rates of many items which were levied 15 percent in the past went down.

"This has affected VAT receipts," said Ahmed, suggesting two VAT rates -- one for goods and another for services -- and faster automation of the VAT system to boost tax collection.

Prevalence of numerous exemptions and incentives is also responsible for the sluggish revenue generation, he said.

"The situation may turn worse unless urgent steps are taken," said Ahmed.

Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue, said it is really worrisome to find that the tax collection has hardly increased in a year when a new VAT and SD law was implemented.

"The key question is why it is not increasing. Is it due to administrative incapacity or due to a lack of economic activity? Will we see a major slowdown in economic growth this year?"

"The government must take a serious look at the overall health of the economy."

Khan said the lack of tax revenue would constrain budget implementation.

"The bank borrowing is already high and it will cause instability in the macroeconomic management."

Tk 250cr RMG investment plan stuck in limbo

Dutch JV wants to expand factory in land termed arable by Rajuk

International Classic Composite Ltd (ICCL) has been facing troubles to invest Tk 250 crore, as the Dhaka's development authority is not allowing the Bangladesh-Netherlands joint venture knitwear company to use its own land for factory expansion.

The company has an export-oriented factory occupying half of the area of its 12-higha land at Naojur in Gazipur.

It has been trying to set up another knitwear factory using the rest of the land.

In 2015, the company sought approval from the Rajdhani Unnayan Karttripakkha (Rajuk) to use the land for industrial purposes. The city's development authority said the proposed land is an arable land under its Detailed Area Plan (DAP).

As per Rajuk's recommendation, the company then submitted an application to change the status of the land from farmland to an industrial one, said MA Muttaleeb (Khokan), managing director of ICCL.

"But the Rajuk has been delaying to give approval. Now our Dutch investor is threatening to withdraw the investment from Bangladesh due to the delay in implementation of the project."

On November 27 this year, the commerce ministry came up to rescue the company and sent a letter to Rajuk with a request to allow ICCL to use the land. The Daily Star obtained a copy of the letter.

"This is my own land and I want to expand my operations. Rajuk should assist me, but it has not been doing it," said Khokan who has been exporting knitwear

MAJOR POINTS

- ICCL wants to spend Tk 250cr on expansion
- Currently it has a knitwear factory employing 5,000 workers
- The proposed unit will employ another 5,000
- ICCL exports garments worth \$35m a year
- There are more than 5,000 garment factories in Bangladesh
- About 60% of the plants are in Gazipur, Ashulia, Maona, Bhaluka, Savar and Mirpur

items worth more than \$35 million a year employing nearly 5,000 workers.

He also said if the proposed factory is set up, another some 5,000 workers could be employed and the export value will also increase.

"I have a lot of work orders from the international buyers, so I want to expand my operations," said Khokan who has been catering work orders for European brands Zara, Next and Bestseller.

Earlier, the factory owners in Gazipur areas used to collect permissions to establish factory from local municipalities or Gazipur City Corporation.

After the Rana Plaza building collapse in April 2013, it has been made mandatory to seek Rajuk's approval for new factories in an effort to avoid such industrial disasters.

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Zaheen Spinning stocks fly high on rumours

The share price of Zaheen Spinning Mills is skyrocketing on the Dhaka Stock Exchange despite a fall in its profits, largely riding on rumours.

The spinner's stocks rose 72 percent to Tk 10.1 in the last eight trading days, according to DSE data.

Market insiders say a vested quarter is spreading rumours that the stock would rise as there is some price-sensitive information about Zaheen Spinning Mills.

The price is rising fast as the rumour has pulled many general investors to the stock, they said.

Md Faruq Hossain, chief financial officer of Zaheen Spinning Mills, however, said the company has no price-sensitive information or news that can push its prices up.

"Market stakeholders can say why the price is rising. We don't know the reason," he told The Daily Star on Tuesday.

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SM Moniruzzaman, fifth from right, a deputy governor of the Bangladesh Bank, attends a seminar on "Occupational Stress and Job Performance of Employees in Banks: Bangladesh Perspective" at the BIBM in Dhaka yesterday.

Irrational collection targets put bankers on edge: study

Bank employees feel stressed while performing their duties due to the irrational targets for deposit collection and loan disbursement set by the top management, according to a research.

Logical target should be set for employees given the size of the country's economy, it said.

This will also help banks make their business sustainable, according to the research paper unveiled by the Bangladesh Institute of Bank Management (BIBM) at its office in the capital yesterday.

Mohammad Tazul Islam, associate professor of the BIBM, presented the paper titled "Occupational stress and job performance of employees in banks: Bangladesh perspective".

According to the study, the pressure of meeting the high target is one of the major reasons for the occupational stress of bank employees.

The monumental target for recovery of disbursed loans is another burden,

it said.

The target should be rational and set based on the economic growth in the country.

The top management should turn their attitude from target fulfilment to business sustainability, the study said.

SM Moniruzzaman, a deputy governor of the central bank, said the Bangladesh Bank has always been playing proactive roles in reducing stress of employees in the entire banking sector.

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Foreign investor sues BSEC over mutual fund tenure extension

The High Court has recently issued a rule calling upon the BSEC, ICB and asset manager of a closed-end mutual fund to explain why a decision to extend the fund's tenure should not be declared illegal.

Closed-end mutual funds are investment tools that pool a fixed amount of money for a certain period from investors and re-invest it into stocks, bonds and other assets.

Hearing a writ petition filed by a foreign investor, the HC also sought to know why the respondents will not be ordered to liquidate the EBL First Mutual Fund and distribute the proceeds among unitholders.

It also ordered the asset manager, Bangladesh Race Management Private Company, not to take any asset management fee until the ruling was disposed of. The Investment Corporation of Bangladesh (ICB) is the fund's trustee.

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GE to invest \$60m to expand Singapore repair centre

Will serve Bangladeshi clients well

GE has announced to invest up to \$60 million over 10 years to create a new global repair and development centre for HA gas turbines in its existing service site in Singapore.

The centre is expected to become one of GE's largest gas turbine repair facilities globally servicing its industry-leading HA (high efficiency, air-cooled) and aero-derivative gas turbines.

"In addition, it will allow us to better serve our HA customers in Asia as we provide localised support and expect to reduce HA repair cycle time for them by up to two months," said Scott Strazik, chief executive officer of GE Gas Power, in a statement.

The new "center of excellence" will increase GE's repair development capability to support the industry's most-advanced, heavy-duty gas turbine.

The centre, which will begin repairing HA components in 2021, will include a research and development centre to develop next-generation HA repair capabilities.

"GE is committed to strengthening the global gas power market and empowering its customers in the sector. Establishing a dedicated repair and development centre in Singapore will certainly help us instill new confidence among the customers in countries like Bangladesh, which is moving aggressively to transform the power sector by adopting path-breaking technologies like the HA," said Deepesh Nanda, CEO of Gas Power Systems, GE South Asia.

In Bangladesh, GE has won orders from Summit Power and Unique Group entailing the installation of 9HA gas turbines, as part of the turnkey scope, in the upcoming combined-cycle gas-based power plants. The power plants will be operational by 2022, the statement said.

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