

Star BUSINESS

Operational activities at the Patenga Container Terminal (PCT) will officially begin on Monday under a Saudi operator



Story on B4

ICAB backs amnesty for companies to whiten black money

STAR BUSINESS REPORT

The Institute of Chartered Accountants of Bangladesh (ICAB) yesterday extended support to the government's move to allow companies to whiten money without facing scrutiny by paying a 15 percent tax.

"The amnesty to whiten black money by paying a 15 percent tax is logical for companies as they could not show their legal income before 2021 due to the introduction of the document verification system (DVS)," said Mohammed Humayun Kabir, council member of ICAB.

He made the comments at a post-budget media briefing at the ICAB office in Dhaka.

'Companies used to prepare three separate financial statements -- one for the NBR and another for banks while keeping the original for their own use -- before the introduction of the DVS'

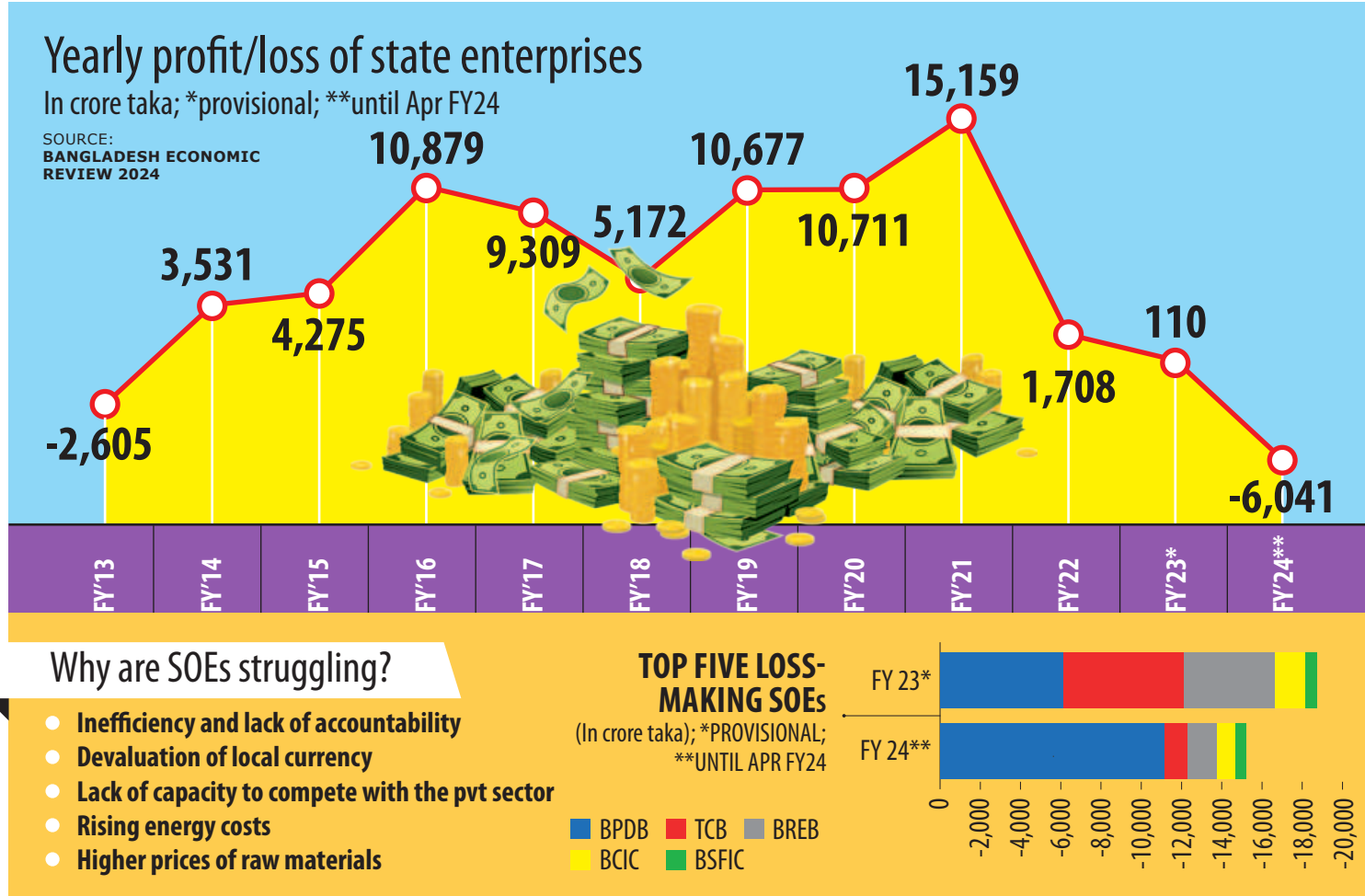
However, he did not remark about the same amnesty for individual taxpayers.

According to the former ICAB president, companies used to prepare three separate financial statements -- one for the National Board of Revenue and another for banks while keeping the original for their own use -- before the introduction of the DVS, which is an electronic method of validating the authenticity of audit reports.

Because of such practices, they could not show their actual incomes after the DVS was launched.

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Most state enterprises turned a profit. That was overshadowed by loss-makers



AHSAN HABIB

Three-fourths of state-owned enterprises (SOEs) in Bangladesh posted profits in July-April of the current fiscal year but their success has been dimmed by those in the red.

Out of 49 SOEs for which the financial data for the first 10 months of 2023-24 was available, 12 incurred combined losses of Tk 19,395 crore. The rest 38 firms logged profits of Tk 13,353 crore, according to the Bangladesh Economic Review 2024.

Of the successful SOEs, Bangladesh Petroleum Corporation logged the highest profit of Tk 4,875 crore. The Bangladesh Bridge Authority came second after netting Tk 3,163 crore while the Chittagong Port Authority registered a profit of Tk 1,881 crore.

The Land Port Authority, the Bangladesh Shipping Corporation, the Dhaka WASA, the Civil Aviation Authority of Bangladesh, the Bangladesh Export Processing Zones Authority, and the Bangladesh Economic Zones Authority also made hefty profits.

By contrast, the highest loss, at Tk 6,118 crore, was incurred by the Bangladesh Power

Development Board (BPDB) in July-April of the fiscal year. Its provisional loss was Tk 11,163 crore in the full year of 2022-23.

The Trading Corporation of Bangladesh (TCB) witnessed a loss of Tk 6,033 crore while the Bangladesh Rural Electrification Board's (BREB) losses widened to Tk 4,499 crore. Bangladesh Chemical Industries Corporation reported a net loss of Tk 1,509 crore.

AB Mirza Azizul Islam, a former adviser to a caretaker government, said some of the SOEs are incurring losses because they lack good governance and accountability.

"They also lack efficiency. However, their top officials manage to retain their positions, and none holds them accountable. Possibly, there is corruption there too."

Owing to the massive losses, the government needs to inject liquidity into the companies by freeing up funds either from the revenue budget or the development budget, said Islam, who placed national budgets twice.

Among other companies, the loss of Bangladesh Sugar & Food Industries Corporation (BSFC) was Tk 517 crore, the Bangladesh Jute Mills Corporation suffered losses of Tk 226

crore, the Bangladesh Inland Water Transport Authority's loss amounted to Tk 126 crore, and the Bangladesh Road Transport Corporation witnessed a loss of Tk 117 crore.

The Rural Development Academy, the Bangladesh Inland Water Transport Corporation, the Bangladesh Textile Mills Corporation, and the Bangladesh Film Development Corporation incurred losses in July-April, figures from the economic review showed.

The main reason for the loss of BPDB is that to pay capacity charges, and the scarcity of natural gas has forced it to import liquefied natural gas in order to generate power, said Shameem Hasan, spokesperson of the state-run agency.

"Currently, we have no large power plant. Therefore, we need to import power. This also leads to losses."

The spokesperson also blamed the local currency depreciation for the loss.

"We will have to frame a long-term strategic plan to reduce the loss, and we are drawing up the plan."

READ MORE ON B3

Govt's higher bank borrowing to affect private credit flow: FBCCI

STAR BUSINESS REPORT

The higher bank borrowing by the government will hinder credit flow to the private sector which will adversely affect investment and employment, according to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

FBCCI President Mahbulul Alam said the deficit in the proposed budget is Tk 256,000 crore, which is 4.6 percent of GDP. However, in the current financial year, the budget deficit was 5.2 percent, he said in a post-budget press briefing at the FBCCI office in Motijheel yesterday.

To meet the deficit, the government will take Tk 160,900 crore from internal sources. Of the sum, Tk 137,500 crore will be taken from the banking sector.

"Apart from that, the government will have to bear the previous interest burden. Higher borrowing from the banking sector will also hinder credit flow to the private sector. As a result, both investment and employment will be adversely affected," Alam said.

He suggested the government borrow from foreign sources at a lower interest rate in order to finance the deficit instead of borrowing from local banks.

Alam added that the GDP growth target had been set at 6.75 percent in the proposed budget while the inflation target had been set at 6.5 percent, but opined the latter would be harder to achieve.

"In the budget for the current fiscal year, the inflation target was fixed at 6.5 percent as well. But inflation stood at 9.89 percent in May this year. We consider it a huge challenge to reduce this inflation and achieve the target."

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STOCKS WEEK-ON-WEEK

DSEX ▲	CASPI ▲
0.28%	0.02%
5,251.9	14,942.83

COMMODITIES AS OF FRIDAY

Gold ▼	Oil ▼
\$2,293.84	\$75.38
(per ounce)	(per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 2.16%	▼ 0.05%	▼ 0.00%	▲ 0.08%
76,693.36	38,683.93	3,330.77	3,051.28

Why have loan defaults risen sharply?

MD MEHEDI HASAN

Default loans in the banking sector have hit a historic high at a time when the Bangladesh Bank has just provided a roadmap to reduce the volume of bad debts.

In line with conditions set by the International Monetary Fund (IMF) for securing a \$4.7 billion loan, the central bank in February unveiled a roadmap consisting of 17 action plans for reducing non-performing loans (NPLs).

However, NPLs rose 38.5 percent year-on-year to Tk 1,82,295 crore by the end of March, accounting for 11.11 percent of the total loans disbursed in the banking system, according to central bank data.

If written-off and rescheduled loans and loans with court injunctions are added, the actual volume of bad debts will be as much as Tk 5 lakh crore, industry people said.

This raises the question as to why NPLs have increased abnormally at a time when the government has promised to the IMF it would reduce it to a tolerable level by 2026.

There is no quick and easy answer in this regard as the problem persisted even after the central bank introduced a relaxed loan rescheduling and one-time exit policy for defaulters in 2019.

Under the policy, defaulters were allowed to regularise their loans for 10 years by only paying a 2 percent down payment instead of the existing 10 to 15 percent. And while this was a big benefit for defaulters, it acted as a slap in the face for good borrowers.

With bad loans in the banking sector amounting to Tk 94,330 crore when the policy was introduced, the then Finance Minister AHM Mustafa Kamal had said NPLs were a matter of grave concern but still manageable.

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Power Grid gets large sums as govt prioritises transmission, distribution

ASIFUR RAHMAN

Around a third of the budgetary allocation set aside for the power division is going to the Power Grid Company of Bangladesh (PGCB) as the government plans to make the most of installed generation capacity by expanding grids and making some of the existing facilities smart.

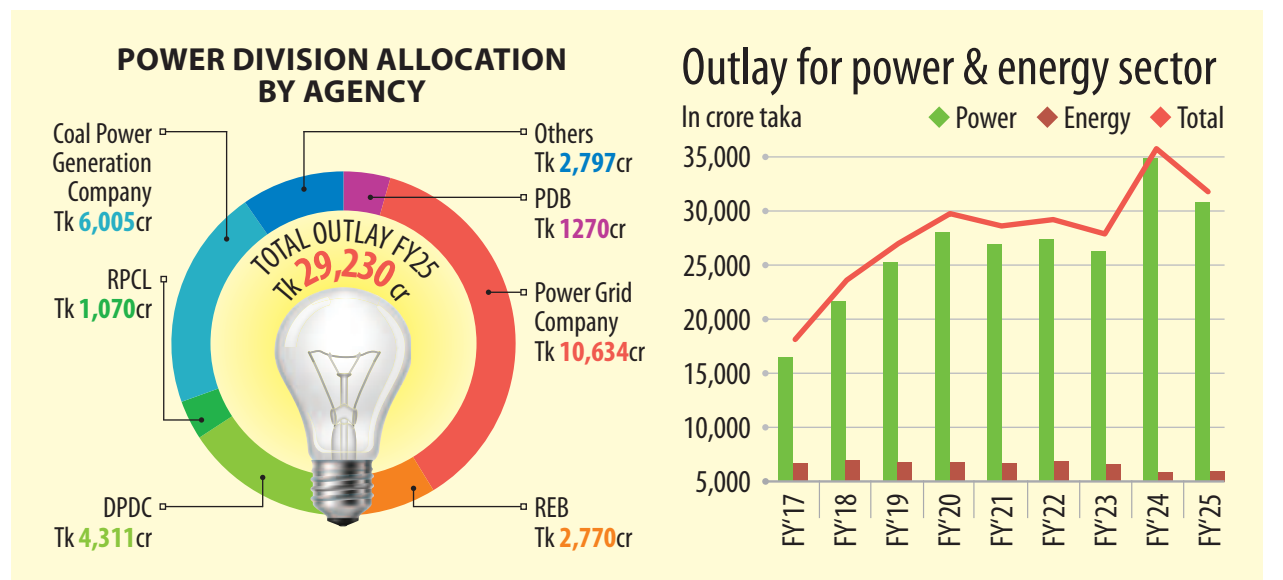
The finance minister has set aside Tk 29,230 crore for the power division for 2024-25, down 13 percent year-on-year. PGCB will get Tk 10,634 crore.

Coal Power Generation Company of Bangladesh, which is implementing the Matarbari power plant in Cox's Bazar, received the second-highest allocation.

Centring the power plant project, PGCB is implementing several projects in Chattogram, upgrading grids. It has received Tk 1,500 crore to carry out the tasks.

The Barapukuria-Bogura-Kaliakair 400kv project has been given Tk 2,356 crore and the power evacuation facilities project Tk 646 crore.

Among the PGCB's schemes, the highest Tk 3,555 crore has been earmarked for the Power Network



Strengthening project, which started in 2016.

In Bangladesh, the power generation capacity increased to 30,277 megawatts in 2023-24 from 4,942 MW in 2009, said Finance Minister Abul Hassan Mahmood Ali in his budget speech.

Currently, 27 plants with a

combined capacity of 9,144 MWs are under construction. Most of them are in the private sector.

In the Mymensingh region, the power supply situation is worse than in other parts of the country. There is a gas-fired power plant there, but it doesn't get enough supply of the energy. A pipeline project, initiated

to improve the supply of gas, has received Tk 1,070 crore from the power division's budget.

Bangladesh Power Development Board (BPDB) will finance two electricity plants, five distribution projects, and two pre-paid metre-related projects.

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