

Star BUSINESS

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REMITTANCES THRU' ILLEGAL CHANNELS

More bank branches in remote areas to improve situation

Suggests ADB

STAR BUSINESS REPORT

Despite a steady growth in remittance inflow, a major portion of remittances enter into the country through illegal and informal channels due mainly to insufficient number of bank branches in remote areas and procedural complexities.

The Asian Development Bank in its latest Quarterly Economic Update on Bangladesh said such illegal and informal channels keep foreign currencies out of reach of the formal economy, for which the country could not reap desired benefits.

"Capacity constraints and inefficiency in the formal system may be held partly responsible for existence of these informal channels. Insufficient number of bank branches in remote areas, procedural complexities and transaction costs have created the problem," the ADB report said.

In addition, the bank said, relatives of rural migrant workers often do not have access to bank accounts and find it difficult to get the official paperwork done, which have aggravated the situation.

The hundi system, where operators receive foreign currency from workers abroad, while their relatives receive local currency at home, is the major informal mode of transfer

in Bangladesh, the ADB noted.

It, however, said the potential for much greater flows through the legal banking system exists. "Boosting the capacity and efficiency of financial institutions is crucial to increase in remittance flows by directing more funds into official channels," it said.

The major challenge confronting the financial sector is to integrate remitters and recipients into the legal financial system, it said, adding, "Private commercial banks that are more efficient service providers, but have a limited number of branches in rural areas, need to create a better network in partnership with licensed micro-finance institutions or even local post offices to broaden the service coverage area."

The ADB emphasised increasing public awareness of the benefits of the legal banking system and hazards of informal transfers to overcome the problem.

It said international efforts to crack down on money laundering and terrorism financing have already created concerns regarding the unsafe transfer of funds through illegal channels, creating more demand for legal transfers.

"Harmonising regulatory and compliance requirements of financial institutions between source and destination are required to meet

this demand and fully capitalise on the benefits of these valuable remittances in Bangladesh."

The quarterly economic update said Bangladesh has been experiencing a huge surge in remittances from non-resident workers.

Remittance totaled US\$ 4.80 billion in FY '06, making a 25 percent increase over FY '05. This trend continued with 29 percent growth during the July-January period of FY '07, aided by flexible exchange rate management.

Most of the remittances were generated from the Middle East, followed by United States, United Kingdom, Italy, Singapore and Malaysia.

"Improved services provided by banks and money transfer agencies and effective regulatory support from Bangladesh Bank to simplify and speed up the money transfer process have facilitated remittances," it said.

The greater inflow of remittances has provided strong support to maintaining macroeconomic stability by improving the country's import payment capacity, current account position, currency reserves and external debt servicing capability, it added.

NBR moves to reduce revenue shortfall

JASIM UDDIN KHAN

The National Board of Revenue (NBR) has initiated a drive to minimise revenue shortfall this fiscal.

The measures under the drive include realisation of fine and additional income tax from audited tax files and readjustment of taxes on some essential products.

The revenue board will also expedite the process of disposing of tax-related cases to get a better amount of income tax and customs duties, a high official of the NBR said Thursday.

Income tax officials in last fiscal selected around 9,000 income tax files, including corporate tax ones, from across the country to audit those in order to find out difference between the taxpayers' ability and their actual payment.

But the means yielded a little benefit due to political interference by the immediate-past alliance government, the NBR official said preferring anonymity.

The initiative to reassess the selected tax files will bring a huge amount of money as fine and additional taxes, NBR officials hope.

Disposal of over 2000 tax-related cases will also help earn a huge amount of income tax, said another official who deals cases of the NBR.

The government may soon readjust rates of tax on imported sugar and some other essential products to augment revenue income.

Officials also said if the verdict on the case on collection of VAT on SIM cards, which is yet to be disposed of, comes in favour of the government, it would give a boost to the revenue. Such a collection was suspended in October last year after the mobile phone operators sued

the NBR.

Finance Adviser Dr Mirza Azizul Islam earlier at a meeting with the NBR officials said the government would definitely fail to achieve the revenue target this fiscal, describing the target set by the previous government as 'ambitious'.

The target was set at Tk41,055 crore for the 2006-07 fiscal against the last fiscal's Tk35,652 crore.

During the first half of the current fiscal, the growth of income tax and VAT collection recorded at 21.05 percent and 13.85 percent respectively. But the growth of customs duties was only 1.01 percent.

In the July-January period, the NBR collected Tk18,772 crore revenue against the target of Tk23,948 crore, showing a shortfall of over Tk5,000 crore.

The customs department was given a target of collecting Tk18,600 crore revenue during the current fiscal. But only Tk8,686 crore revenue was collected with a shortfall of Tk2,163 crore from the target of Tk10,850 crore set for the July-January period.

Our Benapole correspondent adds: an NBR team headed by NBR Member (Customs) Rashidul Hassan held separate meetings yesterday with the officials of Benapole land port and the leaders of C&F Agent Association in a bid to increase revenue collection and speed up export and import through the land port.

The NBR also directed all officials concerned to take punitive measures against those involved in irregularities and tax evasion.

Further cut in call charges in future

GP CEO tells The Daily Star

SHARIEH KHAN

Country's leading mobile phone company Grameen Phone (GP), which has a 11 million subscription base, has laid bare a plan to pump in more than Tk2100 crore to improve its network ensuring a world class service.

To make cell phone more affordable, the company aims at cutting tariffs further in future.

It is also working on floating shares in the capital market.

"The GP will be the first mobile phone company to be listed in the securities market," hoped Erik Aas, the managing director and chief executive officer.

He was talking exclusively with The Daily Star on Thursday.

Focusing on VoIP (voice over internet protocol) licensing debate, where local Internet Service Providers (ISPs) have raised the demand for limiting the licenses within the local companies, Aas said such license should be given to the companies well equipped with telephone technology, adding that ISPs cannot ensure a quality job as they don't have that expertise.

Arguing that the debate is focused on a wrong point, Aas said, "VoIP is not just about money. If it's only about money then keep it within the Bangladesh Telegraph and Telephone Board (BTB). If the BTB can't handle it alone, then those who can do it should be allowed to operate."

Had Bangladesh a large international gateway to meet its calling demand, the VoIP issue would not have come up. In absence of an adequate gateway facility, VoIP technology was being used illegally, he noted.



Erik Aas

"So we want gateway and inter-connection between mobile phones and the BTB. We only have 5 million interconnections with the BTB against our 11 million client base," the GP top brass went on.

He said GP could help the BTB in making a better gateway.

"If the international call system is improved, which is in a bad shape now, the nation's productivity would be better and it would give a boost to business," he added.

On the cut in call charges, Aas said they cut down tariffs by about 70 percent in the last two years and the rate now reached about Tk1.5 per minute on an average.

He said they are looking forward to cutting charges further shortly.

"Not so many people now complain about high tariff. Our night tariff is very lowly 30 paisa. That's why we are experiencing a network difficulty at night. Sudden cut in charges has led to this problem. But this will go soon. We are laying emphasis on cheap and quality services," he added.

Responding to a question, he claimed GP is not repatriating profits by hundreds of millions of

dollars. In fact, majority of GP's revenue is being pumped back as investment into building a country-wide mobile network.

"We hope to resolve all the network related problems including midnight connectivity problem, lack of indoor network and highway and high rise location coverage," said Aas.

In the last two years, the GP has invested about Tk 4000 crore. "This investment will go much higher," he added.

GP believes that Bangladesh needs to increase its gateway 10 times the present capacity, Aas opined.

Another pressing issue for improvement in services of all the mobile phone companies is the spectrum allocation (or frequency allocation for telephony), according to the GP CEO.

While the GP has 11 million users, it has been allocated a level of spectrum similar to the one enjoyed by another company having less than 300,000 users, he lamented, adding that an older company, which has political influence, is blessed with the highest allocation of spectrum it has not been able to use for many years.

"Spectrum is a natural resource. This should be distributed as per the number of customers each company is serving," Eric Aas pointed out.

On profit repatriation, he said GP never transferred hundreds of millions of dollars abroad as dividend to shareholders.

"The true picture is that the GP shareholders between 1997 and 2007 took 88 million US dollars only, while the company invested 1.15 billion dollars," he said.

WEEKLY ROUNDUP

DSE indices fell on panic sales

STAR BUSINESS REPORT

Share price indices on the Dhaka Stock Exchange (DSE) fell last week due mainly to panic sales by the investors unnerved by the crackdown on alleged corrupts and financial frauds.

The joint forces last week asked the DSE to release investment details about three former lawmakers and their families.

The benchmark DSE General Index lost 13.29 points, or 0.74 percent, ending the week at 1794.02 points over its previous week's close of 1807.31 points.

The DSE All Share Price Index, which includes all shares of the stock exchange, also dropped by 2.49 points, or 0.17 percent, to close at 1495.70 points against 1498.19 points the previous week.

Market analysts said early last week there was a selling pressure from the investors panicked by the government's drive against financial corrupts.

A massive fall in the markets worldwide during the last couple of days is also seen as a reason for this downbeat mood, they said.

However, investors' worries eased a bit at the later part of the week that helped the market to avoid a sharp fall on a week-on-

week basis, they added.

The total turnover on the premier bourse, however, went up by 9.12 percent. Last week's turnover was Tk 412.72 crore against Tk 378.24 crore the previous week.

The total transactions fell by 17.80 percent. A total of 62,148,941 shares were traded on bourse, while 75,804,191 shares changed hands during the previous week.

Out of 264 issues, 243 were traded on the DSE last week. Of the issues traded, 72 advanced, 156 declined and 15 remained unchanged.

The top ten turnover leaders of the week were Power Grid Company of Bangladesh (PGCB), Dhaka Electric Supply Company, Brac Bank, Grameen Mutual Fund One, United Commercial Bank, Pubali Bank, Rupali Bank, AIMS First Mutual Fund, Eastern Cables and Agni Systems.

PGCB, the stat-run power company, topped the list of turnover leaders with 1,413,000 shares worth Tk 65.59 crore, accounting for some 15.89 percent of the total market turnover.

At the end of the week, market capitalisation of the DSE stood at Tk 38,032 crore.

DHL launches awards for young entrepreneurs

DHL, the world's leading express and logistics company, has announced the launching of its Young Entrepreneurs for Sustainability (YES) Awards.

The programme aims at recognising and celebrating social entrepreneurs in the Asia-Pacific region who are making positive impact in their communities to meet the Millennium Development Goals (MDGs) of the United Nations, says a press release.

Senior Vice President (Corporate Communications) of the company Christina Koh said: "Entrepreneurs are the society's change makers. For our awards, we see these entrepreneurs as people whose fundamental goal is to create positive social impact by evolving new and innovative methods and practices".

A crucial aspect of the awards is its alignment to the MDGs, which are a blueprint agreed to by the world's countries and leading development institutions to eradicate extreme hunger and poverty, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability and develop a global partnership for development.

The awards will be rolled out in five countries in Asia-Pacific -- Bangladesh, Pakistan, the Philippines, Singapore and Thailand. A national winner will be chosen from each of the five participating countries, and an Asia-Pacific regional winner will be selected from the five national winners.

Scott Price, CEO of DHL Express of Asia-Pacific, said: "It is our belief that social entrepreneurs play an instrumental role in driving socio-economic development in their communities."

Application submission date for the awards opened on February 1 and it will close on March 31, 2007. Details are available at www.dhl.com/yesawards.

Telekom Malaysia proposes listing Spice on Indian bourse

AFP, Kuala Lumpur

Malaysia's biggest telecommunication operator Telekom Malaysia (TM) has started moves to list its partly-owned mobile operator Spice Communications on India's stock exchange, the company said.

Spice "kick-started a proposed listing on the Indian bourse" by filing a draft prospectus for an initial public offering with the Securities and Exchange Board of India, it said.

EU declines to sign FTA with Pakistan

PTI, Islamabad

Pakistan is likely to lose its biggest market with the European Union declining to sign a Free Trade Agreement (FTA) with it, arguing that the size of Pakistan's economy is not big enough for such a deal.

Against the backdrop of the European Union's (EU) refusal to sign the FTA, Pakistan would be the only country in the region in the coming years to lose its biggest market, a senior Pakistan government official told 'The News' Thursday.

"Pakistan's reliance on the EU market and the US is too much and in case the EU market is lost, Pakistan would stand nowhere with regard to exports," the daily quoted an unnamed official as saying.

Commerce Secretary Asif Shah admitted that the EU has based its decision keeping in view the size of Pakistan's economy. "On this particular point we have successfully made EU top officials understand and convince them with facts and figures that Pakistan's economy is growing with rapid pace in the region and the size of the economy is also expanding."

Shah said, adding that Commerce Minister Humayun Akhter Khan would soon visit EU countries separately to remove the misgivings in this regard.

On the other hand, the EU has decided to ink a FTA with India that would facilitate greater demands for Indian products at zero duty.

"Right now apart from India and Pakistan, all the SAARC countries as LDC contracting states are

exporting their products to EU at zero duty and in case the FTA deal is struck with New Delhi, Indian products would also enjoy zero duty and capture the market of Pakistani products also. This is really an alarming situation for Pakistan," an official said on condition of anonymity.

Islamabad has communicated to Brussels that Pakistan is the frontline state against terrorism and in case trade cooperation is not extended to Pakistan, terror activities would further increase because of poverty in the country.

"The poverty situation would worsen in the country if trade under the FTA is denied," the daily quoted a Pakistan foreign office official as saying.

Shah said the EU in response to Pakistan's request for the FTA has communicated that it frames FTAs with countries keeping in view its economic considerations. He said the EU is of the view that since Pakistan's tariff regime is liberalised, it does not need a trade deal with Islamabad.

Shah said this is sheer injustice to Islamabad. He also said that the EU has decided to initiate FTA talks with India.

"However, the process of talks, if initiated right now, will take three to four years to complete and by that time Pakistan would manage to convince and strike a FTA with EU countries through its trade diplomacy," he said.

Prize giving ceremony of Maggi soup recipe contest

STAR BUSINESS REPORT

The prize giving ceremony of Maggi Soup Winter Recipe Contest-2007 was held yesterday in Dhaka.

Nutritionist Prof Siddika Kabir gave away prizes among the winners. Prof Siddika and Maggi Cook n' Serve Team acted as judges in the competition held from January 16 to February 15, 2007.

A total of 500 participants across the country took part in the competition organised for the first time by Maggi, a brand of Nestle Bangladesh Ltd.

Sharmin Akhter of Chittagong won the first prize, Dil Afroze Dolly of Chittagong the second prize and Roksana Halim of Sylhet received the third prize.

Shammi Rubayet Karim, senior manager (Culinary and Cooking) of Nestle Bangladesh, and senior officials of the company, among others, were present at the function.

GM sales up 3.4pc

AFP, Chicago

General Motors said Thursday its February vehicle sales rose 3.4 percent from the same month a year earlier, attributing the gain to improved showroom sales, especially of light trucks.

The world's biggest automaker, which is vying to overhaul its North American operations in the face of fierce competition from Japanese rivals including Toyota, said it sold 311,463 vehicles last month.



PHOTO: THE CITY BANK

Managing Director of The City Bank Ltd DH Chowdhury inaugurates the 81st branch of the bank at Biswanath in Sylhet recently. Senior officials of the bank, among others, were present at the opening ceremony.



PHOTO: NATIONAL BANK

Chairperson of National Bank Ltd Parveen Haque Sikder inaugurates the relocated Mymensingh branch of the bank on Durgabari Road in the district recently. Director AM Nurul Islam, among other senior officials, is seen.

EXTENSION OF TUF TERM

\$47b Indian textiles set to reap benefit

PALLAB BHATTACHARYA, New Delhi

The exceptionally growing 47-billion dollar Indian textile sector got a leg-up from the 2007-8 budget presented in Parliament earlier this week when Finance Minister Palaniappan Chidambaram announced a number of sops for it.

The most important incentives announced are continuation of the Technology Upgradation Fund (TUF) for another three years and the proposal to hike the allocation for the Fund from Rs 535 crore in the last fiscal (2006-7) to Rs 911 crore in 2007-8.

The apparel and textile sector has since long been demanding extension of the TUF tenure to stimulate investment for modernising and creating new capacities to reap the benefits of quota-free

international textile regime.

Welcoming the extension of TUF, Chairman of Cotton Textile Export Promotion Council Prem Malik said high cost of capital has been an important factor that inhibited technology upgradation.

Textile industry analysts said the TUF extension would help achieve the envisaged investments of Rs 1.94 lakh crore and creation of some 140 lakh jobs in the next three years.

With China going to be a member of World Trade Organization by the year 2008, extension of TUF, whose validity was supposed to expire this month-end, is being seen as a major supporting factor to cope with the competition from the dragon land, they said.

As per Textile Commissioner J N Singh, the total Indian market size of apparels and textiles is about 47 billion dollars including exports.

Japan offers compromise with China on gas: Report

AFP, Tokyo

Japan has proposed to China joint development of a broad area around disputed gas fields in a bid to resolve a key source of friction between the Asian powers, a newspaper said Friday.

An official immediately denied the reported proposal, which Japan's Nikkei business daily described as a compromise by Tokyo to break a long deadlock in negotiations.

Japan and China, two of the world's biggest energy importers, dispute control over potentially lucrative gas fields in the East China Sea.

China began test-drilling in 2003. Japan accuses China of starting production and siphoning off gas on Tokyo's side.

According to the Nikkei, Japan has proposed to China that the two countries jointly develop the entire area and work together to select companies that would be involved.

Tokyo would foot the bill for the drilling facility that China has already set up, said the newspaper, which did not specify its sources.

"Japan seeks to effectively shelve the contentious issue of setting a demarcation line," the Nikkei said.

China has previously proposed joint development only on what Japan considers its side of the maritime border.

The Nikkei said Japan's Vice Foreign Minister Shotaro Yachi made the proposal on a visit to Beijing in January and that Japan hoped for a deal in time for Chinese Premier Wen Jiabao's rare visit to Tokyo in April.

A trade ministry official involved in the negotiations denied the report.

"We've never thought of negotiating with China on such an idea," the official told AFP on condition of anonymity.



PHOTO: STAR

Nutritionist Prof Siddika Kabir poses for photographs with the winners of Maggi Soup Winter Recipe Contest-2007 at a prize giving ceremony yesterday in Dhaka.