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# star BUSINESS

DHAKA TUESDAY APRIL 26, 2011, e-mail: business@thedailystar.net

## Soaring land prices hurt FDI, business

**SAJJADUR RAHMAN**

Soaring land prices and hassles in land acquisition deter inflows of foreign investment and the expansion of local businesses as well, according to two international organisations.

The land issue has made the country's development challenges more critical as Bangladesh faces two other major challenges -- how to upgrade infrastructure and ensure a large and skilled workforce.

"Availability of land for the public and private sector projects is emerging as a major challenge," said Asian Development Bank in a report published this month.

Also, Moody's Investors Services that rated Bangladesh Ba3 for 2011 last week found land acquisition remains problematic and the registry is in need of reforms.

"These impede the quicker realisation of larger inflows of foreign direct investment," said Moody's 2011 sovereign report on Bangladesh.

Bangladesh has received only \$697 million of foreign direct investments (FDI) during the first 10 months of 2010 against registrations for \$3.05 billion during the year, according to Board of Investment (BoI). In 2009, FDI inflow into Bangladesh was \$700 million. Inadequate land and industrial plots and

lack of utilities are the major reasons behind the slump in the FDI inflows.

Local businessmen are also feeling the pinch of the soaring land prices.

A private commercial bank has bought a piece of land (21 katha) in Gulshan at Tk 150 crore last year to set up its headquarters.

"Land has become priceless in Gulshan. Sellers demand around Tk 10 crore a katha," said a businessman, claiming that it was Tk 3 crore a year ago.

The situation is more or less the same in the industrial areas, such as on the Dhaka-Mymensingh or Dhaka-Narsingdi roads.

Iftekhar Uddin Farhad who runs an export-oriented ceramics factory on Dhaka-Mymensingh road under Gazipur district said now a bigha of land is being sold at Tk 1 crore - Tk 1.5 crore, which was just Tk 30 lakh a year ago.

"Acquisition is more critical than the price. One has to deal with local extortionists and politicians in addition to corrupt land officials," said Farhad.

A study led by economist Dr Abul Barkat in 2007 found that growing population, rising per capita income and high rate of income growth have intensified the competition for accumulating the fixed asset (land) in Bangladesh.

The study also said massive

migration from rural to urban areas has been putting immense pressure not only on urban facilities, but also poses a threat to proper use of the land. Inflows of remittances have also contributed to a soaring land price in recent years.

Banks' speculative financing also made the land price costlier in the past few years. Moody's Investors Services also found that the central bank at the end of 2010 curbed bank lending for speculative land purchases.

AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), urged the government to address the land price issue to avoid negative impacts on industrialisation.

"Higher land prices affect the overall production costs," said Azad.

He said businessmen and remitters buy land speculating manifolds return from the fixed asset with no risk.

"The government should ban the use of black money into land and impose higher tax to contain the price," said Azad.

According to government documents and individual researchers, over 150 million people live in around 14 million hectares of areas in Bangladesh. Per capita land is less than 25 decimal and out of which, only 15 decimal is farm land.

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## Stock plunge sets off protests

**STAR BUSINESS REPORT**

A group of investors staged protests in front of the Dhaka Stock Exchange yesterday as the share prices nosedived sharply. The downward trend has been continuing for more than a week, except last Thursday.

The investors went for panic sell-offs from the opening hour of trading as most of them lost confidence following a debate on the stock probe report, said experts.

Speculations over the report created panic among small investors as they complained that the government is deliberately wasting time before making the report public, said one of the experts.

"The institutional investors also faced a credit crunch due to the tight money market, while some of them adopted a wait-and-see policy fearing another crash impending," said Akter H Sannamat, a market analyst.

Sannamat, also the former managing director of Prime Finance and Investment, said: "The government should take a series of good initiatives to help the investors restore their lost confidence."

The aggrieved investors started coming out of the trading houses around 12:30am when the market declined by around 140 points.

They set fire to vehicle tyres, wood blocks and paper in front of the DSE building blocking the avenue from Shapla Chattar to Ittefaq crossing and vandalised a motor bike.

The agitating investors also chanted slogans against the finance minister, top bosses of the premier

**DSE GENERAL INDEX**

INDEX VALUE

6100  
6050  
6000  
5950  
5900  
5850

10:00 11:00 12:00 13:00 14:00 15:00

heavy toll on the market. As the opening bell rang, the market witnessed the gauge shedding blood and the situation exacerbated as the session progressed. Nervousness gripped the investors who offloaded shares in speculation of further index fall and prolonged bearish trend.

Some people deliberately made huge sell-offs to bring back another debacle to defame the government, said an SEC official.

The state run Investment Corporation of Bangladesh (ICB) bought shares of Tk 28 crore to halt the slumping trend of the market, he added.

Of the total 251 issues traded on the DSE floor, 237 declined, 11 advanced and three remained unchanged.

The low confidence also left its impact on the day's turnover, which came down to Tk 613 crore, down by Tk 18.1 crore from that of the previous day. The bank sector lost 3.09 percent, reaching 27.2 percent of the total market capitalisation, while non-bank financial institutions lost 4.46 percent.

## Projects to get buyer's credit from India

**PALLAB BHATTACHARYA, New Delhi**

India said it will provide buyer's credit for projects in Bangladesh in a bid to boost bilateral trade.

Buyer's credit is the credit received by an Importer (buyer) from overseas lenders for payment of his imports. Buyer's credit is generally given on the understanding that the project devel-

opers would source equipment or technology from the credit-giving country.

"We will provide buyer's credit for projects in Bangladesh," said Indian Commerce Minister Anand Sharma on his return from Dhaka on Sunday.

Although the minister did not disclose the amount, it is believed that India may extend around \$100 million.

## Yunus inspires French companies: envoy

**DIPLOMATIC CORRESPONDENT**

A special envoy of French President Nicolas Sarkozy yesterday said major French companies inspired by Prof Muhammad Yunus's new theory of social business want to make investments in Bangladesh.

Martin Hirsch said Yunus is known to the French people and companies for his initiative for alleviation poverty as well as the new concept of social business that has attracted many leading French companies.

Addressing a press conference at the residence of the French ambassador in Dhaka prior to his departure ending his three-day visit to Bangladesh, Hirsch said he came to Dhaka to brief Bangladesh leaders including the prime minister on the agenda of the G-20 summit and know the latest about Grameen Bank and its founder.

"We don't interfere even one millimeter into the internal affairs of Bangladesh and its legal and judicial process," he said. "It is no more secret about the current difficulties between the Bangladesh government and Grameen Bank in the international arena."

Replying to a question over the issue of Yunus, the envoy said: "In France we are quite surprised by the incident in Grameen Bank."

Hirsch told the reporters that he handed over a letter of Sarkozy to Prime Minister Sheikh Hasina during his meeting at Gano Bhaban on Sunday.

The envoy said his country likes to see the Bangladesh government and the Grameen Bank of Prof Yunus come together to show their achievements in alleviating poverty on the international scene, especially before the G-20 summit to be held in France in November.

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## India, Pakistan to discuss lifting fuel exports

**REUTERS, Islamabad/New Delhi**

India is looking to export fuel to Pakistan and the issue is likely to be discussed this week by their top commerce ministry officials as the two nuclear-armed rivals seek to revive a broad peace process that was derailed after the 2008 Mumbai attack.

Like much of their commerce, fuel trade between the two neighbours has been held hostage by their years of hostility, with Pakistan intermittently lifting a ban on imports of Indian petroleum products when

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