

City Bank unveils payment solution for businesses

STAR BUSINESS REPORT

City Bank in collaboration with American Express yesterday launched an end-to-end payment solution which would reduce the cost of doing business in Bangladesh.

Called the American Express B2B Expense Management Solution, it creates a cashless transaction system between companies and distributors.

At present, distributors pay for the goods bought from a company either through demand drafts, telegraphic transfer or cheques, a time-consuming and cost-inefficient process.

The company will now recommend credit limits for its distributors.

Under the new payment solution, City Bank will instantly pay the company for the goods bought by its distributors, and the distributors will get an interest-free credit period to pay back the bank.

The system, essentially, assures companies of earlier payments

without creating an incremental liability and eliminates the cumbersome and expensive 'cash' component and cash management from distributors' daily businesses.

The companies will have to pay 'service charge' to the bank, depending on the lending period and volume of transactions.

The solution will streamline and automate companies' distribution payment chain, Mashrur Arefin, deputy managing director of City Bank, said at the unveiling of the system.

Once implemented, distributors adopting the solution will enjoy improved operational efficiency, as invoicing and payments will be electronically processed and will gain cost savings through an interest-free credit period, he added.

Rubel Aziz, chairman of City Bank, said the payment solution will give companies a better cash flow over time and cost savings, which, in turn, will enable companies to have better management of their working capital for expansion or more profitable activities.

Rahimafrooz Distribution and Reckitt Benckiser Bangladesh have already signed on to the system to implement on their distributor network.

"The solution simplifies the entire collection process, so our personnel will now be able to concentrate on our core business of selling and distribution," said Mudassar Murtaza Moin, managing director of Rahimafrooz Distribution.

"As the world's leading consumer goods company, we have to constantly seek ways to innovate and take the approach of thinking out of the box. Our association with American Express B2B Expense Management Solution is just another start," said Nayan Mukherjee, finance director at Reckitt Benckiser Bangladesh.

Aziz Al Kaiser, former chairman of City Bank; Pranav Barthwal, vice-president for global merchant services and partner card services at American Express; and Sohail RK Hussain, managing director of City Bank, were present at the programme.



ORION

Orion Group Managing Director Salman Obaidul Karim and GE Vice-president Vishal K Wanchoo exchange documents after signing a deal in Mumbai recently. Under the deal, GE will provide a steam turbine generator worth \$66 million for a power plant of Orion. GE Chairman and CEO Jeffrey R Immelt and Orion Group Chairman Mohammad Obaidul Karim were also present.

Orion signs deals for generators for its 660MW power plant

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Orion is currently operating 300MW heavy fuel oil-based power plants. The company is also implementing two 660MW coal-based private power plants in Dhaka and Khulna.

Last month Orion signed similar agreements with Alstom of France and Doosan for its Khulna power plant worth \$189 million.

As per the agreements, Orion has made 2.5 percent down payments to these companies to prepare the

primary designs of the turbines within four weeks. After the design is prepared, Orion would make another 5 percent down payments to its contractors.

According to Salman Karim, the company is expected to get environmental clearance by June. This clearance would pave the way for Orion to get 80 percent project cost from Korean Exim, US Exim and Chinese Sinosure.

US-based AECOM, a global provider of professional, technical

and management support services, has conducted the environment studies for both plants and submitted its environment reports to the government in mid April.

The two projects would require investment worth \$1.65 billion – making them the biggest private power investment in the country till date.

Both the power plants would be run by coal imported from Indonesia and are expected to come into full operation from March 2016.

Why India has less inequality than US

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To counteract this, the left-leaning Indian Congress Party, in power since 2004, implemented substantial wealth-redistribution policies.

These policies are now weighing heavily on the national budget. But rather than scrap the programmes, a new BJP government should streamline and reform them.

When Singh and his Congress Party won in 2004, Indians hoped he would be a good steward of the economy. For a while, this seemed to be the case. His reform goals included increasing investments in infrastructure, updating labour laws so that employers could hire and fire workers more easily, removing continued restrictions on foreign investment and streamlining licensing requirements. From 2001 to 2010, India's gross domestic product grew, on average, 7.7 percent annually, reaching 8.5 percent in 2010.

But the Indian economy has faltered in recent years. The more ambitious reforms have been left fulfilled. Economic growth has slowed to below 5 percent, and inflation—around 8 percent to 8.5 percent annually—has eroded wages.

Anja Manuel served in the US State Department from 2005 to 2007, working on policy for Pakistan, Afghanistan and India.

Banks seek access to NID database

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"It, therefore, poses threat to the mobile banking payment system."

The EBL CEO urged the central bank to immediately come up with a robust dispute management policy for such cases of fraud.

"Actually, Bangladesh Bank is pushing us to go for national payment solutions without mentioning dispute and fraud management policy."

In his speech, Iftekhar highlighted opportunities and challenges in e-payment: it opened new business avenues, but some risks such as cyber crimes and money laundering emerged as big threats to the system.

Syed Mohammad Kamal, country manager for Bangladesh of Mastercard, stressed the need for convergence of cards and mobile wallets for greater reach of financial services.

Acceptance capability of cards is still very low as there are around 8,500 merchants in the country, whereas the number of mobile banking agents stands at 260,000, he said.

"So it is the right time to have a proper eco-system between banks, cards and mobile operators. If we can do it, we can work for each other."

Kamal also sees a lot of room for growth of card business in Bangladesh. Currently, the country has a total of around 40 million unique bank accounts but only seven million are debit cardholders and one million are credit cards.

Hassan Zaman, chief economist of BB, said the share of cash and e-payment is going up due to higher economic growth.

He said the central bank has its own interest in promoting e-commerce: BB spends around Tk 400 crore annually for printing notes.

While the practice of electronic

fund transfer (Bangladesh Electronic Fund Transfer Network) is growing in the country, it is not growing at the expected rate due to lack of awareness, despite the system's full-proof security.

Zaman said the central bank is set to allow Paypal to operate in the country, important to foster international transaction.

Muhammad A Rume Ali, chairman of bKash, a leading money transfer service provider, said the country will be a leader in mobile financial services within the next five years if the present growth trend continues.

He urged the regulators to hold constant dialogue with stakeholders for minimising frauds.

M Manjur Mahmud, director and chief operating officer of DataSoft, stressed the need for reducing the cost of transferring money from one place to another.

"The cost of sending money from place A to B in the country is still expensive. For instance, in Latvia, cost of sending money is less than one paisa."

Kamal Quadir, chief executive of bKash, however claimed that the cost of sending money through mobile banking is one of the lowest in the world. He said bKash charges 1.8 percent of the total remitted amount.

Ersad Ahmed, general manager for regulatory affairs of Banglalink, highlighted the need for proper coordination between the central bank and BTRC for further development of mobile financial services.

Salehuddin Ahmed, managing editor of The Daily Star, called for greater awareness of mobile financial services.

Shahnoor Wahid, editor of The Daily Star's special supplements, also spoke in the session moderated by SA Chowdhury, former chairman of



BIAC

Discussants take part in the third anniversary dialogue of Bangladesh International Arbitration Centre at Ruposhi Bangla hotel in the capital on Thursday.

BIAC launches mediation rules to settle commercial disputes

STAR BUSINESS REPORT

Bangladesh International Arbitration Centre (BIAC) has launched its maiden mediation rules to settle disputes in commercial deals.

The rules launched at a programme to mark the centre's third anniversary contain 23 clauses, with one on fees and charges, BIAC said in a statement.

With the growth of businesses, mediation will continue to evolve in Bangladesh due to cost effectiveness, said Washington-based Attorney Joseph R Profaizer at the launch at Ruposhi Bangla Hotel in Dhaka on Thursday.

The courts in Bangladesh, like in many other countries, are overburdened. There are as many as 2.4 million cases pending, of which roughly 1 million are civil cases, according to BIAC.

Despite best efforts the litigation

backlog is increasing by the year. Many of these civil cases are amenable to resolution by alternate dispute resolution methods.

Alternative dispute resolutions are widely practised around the globe to settle disputes as these are less expensive, expeditious and confidential, Profaizer said.

The utility of the tools depends largely on their users and in a modern functional society, the dispute resolution ecosystem should have methods in place that change with the changing needs of society, he said.

BIAC has shaped itself as the country's first alternate dispute resolution service provider, Toufiq Ali, chief executive of the centre.

A fundamental requirement for trade and investment to flourish is quick and cost-effective methods and institutions for resolution of commer-

cial and investment disputes, said Abul Hasan Mahmood Ali, foreign minister, while applauding BIAC.

BIAC is one of the significant outcomes of the business community's endeavour to create a commerce friendly enabling environment in the country, said Mahbubur Rahman, chairman of BIAC Council.

Successful trainees of BIAC's advanced arbitration course received certificates at the programme.

Former Chief Justices Latifur Rahman, Mahmudul Amin Choudhury, and KM Hasan; Justice Awlad Ali, Barrister Rafique-Ul Huq, Vice President ICCB Latifur Rahman, President of DCCI M Shahjahan Khan and Executive Director of International Law Institute Kim Phan were present.

BIAC, established by three business chambers—ICCB, DCCI and MCCI—and supported by IFC, started

A strategic plan for exports is the way to go: analysts

STAR BUSINESS REPORT

Bangladesh needs to have strategic plans for diversification of export products and destinations to increase its export volume, speakers said at a discussion yesterday.

"Korea has long- and short-term charts for exports. Bangladesh should also have a strategic plan like this," Faruque Ahmed, senior manager of Korea Trade-Investment Promotion Agency, said.

Ahmed's comment came at a roundtable, "Improving exports: importing country's perspective", organised by Dhaka Chamber of Commerce and Industry (DCCI) at its auditorium. Representatives of several embassies and high commissioners and business leaders spoke at the event.

Tulay Uyanik, commercial counsellor of Turkish embassy in Dhaka, said Bangladesh is the fifth largest exporting country to Turkey.

"You have the knowledge and labour force for your garment industry, but you are producing only basic products. You should have moved from basic products to high-end items."

Product diversification is needed not just in the garment sector but in all export-oriented industries including leather and ceramics, she said.

"You can bring new design for your products," she said, adding that industry people should be trained to improve these sectors.

Shakir Qasim Mahdi, Iraqi ambassador in Dhaka, said the oil-rich country is still in its reconstruction phase but there is scope for

garment exports from Bangladesh other than manpower.

WA Sarath K Weragoda, Sri Lankan high commissioner in Dhaka, said though Bangladesh has free trade agreements with many countries, it does not have one with Sri Lanka.

The free trade agreement or preferential trade agreement is in the negotiation process, he said, while emphasising free trade agreements to increase trade and commerce between the two countries.

Minhaz Chowdhury, country manager of Australian Trade Commission, said the Australian market offers opportunities for new overseas suppliers, as the country depends on a wide range of imported industrial and consumer products.

There is no import quota and the highest import duty is 5 percent and zero for eligible developing countries, he said.

In his welcome speech, DCCI President Mohammad Shahjahan Khan said Bangladesh is gradually being linked with international trade and the country's current trade-GDP ratio is about 50 percent.

Export is considered the lifeline of the economy, as it is the most important contributing sector to the national GDP, he said.

He emphasised diversification of export markets and products, inclusion of service sector in export business, elimination of tariff and non-tariff barriers for local exportable products in different countries and development human resource to strengthen export activities.

World Bank offers \$60m for VAT reforms

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"It will also introduce a contact centre for taxpayers to get more information on the new VAT law and how to file as well as file complaints."

The use of an automated system will help the VAT wing to be more effective in resolving disputes and finding irregularities, Lane said.

The project aims for the ratio of VAT to gross domestic product to increase by at least 1 percentage point of GDP by 2019, the WB said. The VAT to GDP ratio for fiscal 2012-13 is 3.7 percent.

Through VAT operational modernisation, the project will promote new electronic systems for registration, filing and tax payments, which can reduce both administration and compliance costs.

By introducing an integrated VAT management system, the NBR has decided that each of the three tax types develops separate application software, rather than an integrated revenue management system for all taxes. For this, the tax administrator is going to purchase commercial-off-the-shelf (COTS) software, which is

developed, tested and placed on the market by a vendor, instead of developing it in-house.

The VAT and income tax application would share a common database platform "oracle", according to project documents.

The same platform along with the new unique TIN (taxpayer identification number) as the single identifier for all taxpayers would facilitate integration and harmonisation between wings at the database level.

The system will be based on a centralised platform to which all VAT and tax offices as well as call, data and processing centres will have access.

The WB said the project will also support the VAT administration system to become fully compliant with the Right to Information Act. The introduction of vigorous management information system will enable the administration to detect irregularities and initiate remedial measures.

The project will introduce new business processes and a centralised processing centre for efficiency gains, as well as



NCC Bank gets new managing director

STAR BUSINESS DESK

Golam Hafiz Ahmed has been appointed managing director and chief executive of NCC Bank, the bank said in a statement yesterday.

Ahmed served as the bank's additional managing director and acting managing director and CEO prior to the new appointment.

Ahmed began his banking career with Pubali Bank in 1983, and also worked with Banque Indosuez and Dhaka Bank. He is an economics post-graduate from Dhaka University.

Muhith firm against money whitening scope

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The minister also said the amount of undisclosed money that was legalised so far will be mentioned during his budget speech this year.

On lowering interest rate for increasing investment, Muhith said the government has nothing to do with that as the interest rate is determined by the market.

He also sought suggestions on how to boost confidence of businesses to raise investment.

Dearth of land is a major reason behind the dull investment scenario, the minister said, adding that the government has identified land for setting up seven economic zones and allocation will be made for developing those lands.

ERF President Sultan Mahmud, Vice President Syed Shahnewaz Karim and General Secretary Sajjadur Rahman spoke at the discussion.

Finance Secretary Fazle Kabir, National Board of Revenue Chairman Ghulam Hussain, IMED Secretary Suraiya Begum and Banking Division's Additional Secretary Amalendu Mukherjee were present.