

# Higher economic growth demands larger FDI

ICCB says in the editorial of news bulletin

STAR BUSINESS DESK

Bangladesh needs to accelerate GDP growth to over 8 percent and maintain the present remittance growth to become a middle-income country by 2021, the International Chamber of Commerce Bangladesh said in the editorial of its news bulletin yesterday.

Bangladesh's economy has maintained a healthy 6 percent-plus growth rate in the past decade despite global shocks.

Sustained growth has generated higher demand for improved infrastructure including uninterrupted power supply, better transport and telecommunication services, all of which require increased private investment, it said.

The government has set a 7.3 percent growth target in the current budget, which requires total investment to be around 34.3 percent of GDP from the current 28.7 percent, the Asian Development Bank has said.

The ADB blamed lower than expected level of investment as the

principal reason for a growth deficit in Bangladesh, according to the statement.

Even though there has been steady growth in FDI, but analysts say most of it has been for expansion of existing industries, it said.

FDI stood at \$1.73 billion in FY2013, registering a 45 percent growth over \$1.19 billion a year ago, ICCB said.

The United Kingdom topped the list of FDI inflow in Bangladesh followed by Malaysia, Singapore, South Korea and USA in 2013, according to data from the Board of Investment (BoI).

FDI still constitutes a low share of 1.2 percent of GDP in 2013 as against 1.3 percent in 2012, which is considered to be much lower than in other countries, such as Myanmar, Laos, Cambodia and Vietnam, the ICCB said.

Bangladesh has the potential to attract significantly higher levels of FDI by positioning itself as a competitive centre for labour intensive garments and footwear manufacturing as well as its favourable location between the two large and

dynamic economies of China and India, it said.

Preferential access to key consumer markets in developed countries also makes it an attractive place for relocation of export oriented industries, the chamber said.

Also, the removal of complicated red tape and ensure hassle-free investment atmosphere, the streamlining of all processes under one umbrella is imperative, the ICCB said.

Currently, getting permission for any foreign investment-related project is very cumbersome as investors need to move several ministries and government departments to obtain permission or licenses before making their investments, it said.

BoI, being the apex private investment promotion agency, should formulate an investment policy to attract more FDI, it said.

Analysts say foreign investment would flow in to the country if BoI could assure the investors about two things -- land and primary energy like power and gas.

There are vast amounts of gov-

ernment land which have been in an abandoned state for long. The Privatisation Commission took a number of measures to use those, but could not make any significant achievement because of some inter-ministerial problems, the statement said.

Besides, BoI needs to strengthen its human resource, develop its own basic core staff, and arrange necessary training to provide better and prompt services to prospective investors, the chamber suggested.

Despite having very liberal legal framework, analysts stressed the need for removal of security concerns, further liberalisation of trade-related policies and resolution of the problem of political uncertainty to attract FDI, it said.

In order to achieve a higher growth trajectory, Bangladesh has to attract FDI to fix the infrastructure deficit, it said.

Also, transparent and timely decision-making and ensuring stricter enforcement of government commitments would be of support to the cause, it said.



Mohammad Iqbal, chairman of Bangladesh Chemical Industries Corporation, receives a cheque for the company's share of the 10 percent cash dividend announced by Novartis Bangladesh at its 41st annual general meeting held recently in Dhaka. Sheikh Nahar Mahmud, managing director of Novartis Bangladesh, was also present.



Mohammed Nasim, health minister, and Norlin Binti Othman, Malaysian high commissioner, attend the launch of GD Health, a health insurance product by Green Delta Insurance Company (GDIC), at a programme in Dhaka recently. Farzana Chowdhury, managing director of GDIC, was also present.



Vivek Sood, chief executive of Grameenphone, hands over a Nirvoy insurance claim cheque to Fatima Tuz Zohora, (daughter of late Abdul Haque Babul), who registered for the insurance on June 29, at an event recently. Richard Leftley, chief executive of Microsure, was also present.

## Merchant bankers pledge to work for market growth

STAR BUSINESS REPORT

Bangladesh Merchant Bankers Association (BMBA) will not take any decision that puts a negative impact on the stockmarket, it said.

"We will not make any decision that may impede positive growth of the capital market," Tanjil Chowdhury, president of BMBA, said at a press briefing in Dhaka yesterday.

The BMBA has recently submitted a set of proposals to Bangladesh Securities and Exchange Commission to facilitate merchant bankers in recovering default margin loans.

"The association always works to promote and protect the interests of the capital market. The proposals sent to the commission were no exception to this," he said.

Chowdhury said the proposals were sent after deliberation of the present market condition and they will meet BSEC in

the coming weeks to discuss those.

"The association strives to find a way to overcome the hurdles of the financial crisis, margin burden, operational difficulties of the merchant bankers with a collective but realistic approach," he said.

On November 20, the BMBA sent a set of recommendations to the stockmarket regulator that include bringing clients having a margin loan above Tk 1 crore under Credit Information Bureau (CIB) reporting.

The BMBA's other proposals include a one-year extension on the timeframe to provision margin loans till December 2015, and steps to boost the capital base of merchant banks within three years.

The merchant bankers' proposals came in the backdrop of their efforts to recover margin loans worth about Tk 15,000 crore given by the merchant banks and stockbrokers up to the market crash in January 2011.

## Atiur receives Gusi Peace Prize

FROM PAGE B1

The prize reinvigorates and inspires all awardees hugely on their journey onward, for economic and environmental emancipation, he said.

The initiatives in Bangladesh for promoting equitable, inclusive and environmentally sustainable socio-economic growth and development have paid the country well in terms of attaining consistently less volatile six plus growth rate, falling inflation and stable exchange rate, he said.

"I have persistently tried to steer banking away from its traditional urban elite

oriented focus towards meaningful financial inclusion of the underserved poor," a statement quoted the governor as saying.

"I have also been pursuing reorienting of financing flows towards support of environmentally benign 'green' output practices, to protect our future generations from environmental degradation and climate change threats."

From Bangladesh, AHM Nouman, founder and secretary general of the Development Organisation of the Rural Poor, won the award in 2013 for his contribution towards poverty alleviation and humanitarianism.



Zareef Tamanna Matin, country manager of CIMA, and Mamtaz Uddin Ahmed, chairman of Accounting and Information Systems (AIS) Department of the University of Dhaka, exchange documents after signing a memorandum of understanding allowing special benefits to students of AIS, at a programme recently.

## US new home sales rise in October

AFP, Washington

US new home sales rose modestly in October, with inventories on the market continuing to creep higher as the housing market recovery lags, government data released Wednesday showed.

Sales of new single-family homes rose 0.7 percent from September to an annual rate of 458,000, the highest pace of the year, the Commerce Department reported.

But that modest growth came from a lowered base after the department revised down the September pace to 455,000 from 467,000. The readings for July and August were also lowered, taking the three months' gains down by a combined 30,000.

## ADB to boost funds for Bangladesh

FROM PAGE B1

Bangladesh requested Zhang to raise the amount to \$2 billion and Zhang responded positively, Muhith told reporters. Earlier, Bangladesh implemented smaller projects, but now it has taken up bigger ones, which require more development assistance, Muhith added.

Citing examples of Japan, Muhith said the country has pledged to give Bangladesh \$5 billion in three years, considering the need. ADB has also increased the authority of their local offices, meeting the long standing demand of Bangladesh, said Muhith.

The minister said Bangladesh does not have any issue with ADB; the only difficulty it faces is the delay in appointing consultants for the projects funded by the bank.

Muhith has requested the ADB to speed up the appointment process.

### PAY COMMISSION

Muhith reaffirmed that the pay scale for the government staff will come into effect on July 1 next year. The Pay and Service Commission is supposed to submit its report to the government by December 15, but it is likely that it will be handed in on December 10, he said. After receiving it, a secretary-level committee will then review its recommendations and place it in the cabinet meeting, he added.

### DEFAULT LOANS

On default loans, Muhith said, "Yes, it is true that the culture of default loans has been politically encouraged; the culture is being checked by the government and it is pretty successful."

On an increase in bad loans in recent times, Muhith said it shot up due to a relaxed rescheduling policy; Bangladesh Bank has been looking into the matter.

Default loans have been on the rise in state owned banks for scams like the ones in BASIC Bank and Sonali Bank, he said. Another reason is that the state banks provide loans for many big purchases by the government, like import of petroleum products, and on many occasions, the government fails to pay the loans on time, the minister added.

About the increase in loans in Krishi Bank, he said its management is very poor and new management has been appointed to the bank. Krishi Bank provides loans for agri-businesses besides giving agriculture loans, Muhith said. The agri-businessmen are powerful and often do not repay the loans in time, he added.

## Most rickshaw-pullers in Dhaka use mobile to send money home: study

FROM PAGE B1

The central bank has so far given licences to 28 banks to operate mobile financial services of which 19 are in operation.

Most people use bKash money transfer service, a joint venture between Brac Bank of Bangladesh and Money in Motion of the US.

Mobile banking now registers more than 20 percent growth in cash transaction a month, thanks to the growing popularity of the service, according to the central bank. On average, around Tk 263 crore is transacted a day through mobile banking services. The amount was only Tk 121 crore in April last year.

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## Drug prices to rise as NBR taxes total commission

FROM PAGE B1

A senior NBR official said the tax authority issued the directive to remove 'distortions' in VAT.

The drugs on which VAT is not applicable such as vitamins, insulin and medication for cancer and kidney diseases would not be affected by the latest NBR move.

## Security is top concern for home buyers: Lamudi

STAR BUSINESS DESK

A house-hunter's decision on where to live is driven by security concerns, trumping over other factors like location and affordability, according to a new report on Bangladesh's property market.

The observations came from a research from global property website Lamudi, which released its first annual report recently.

The report, Real Estate in the Emerging Markets, provides a comprehensive overview of the property sector in 16 emerging countries, including Bangladesh, it said in a statement yesterday.

The report is based on a series of online surveys conducted with house-hunters and real estate agents, as well as onsite data from Lamudi's global network of websites, it said.

The research examined the habits of online property-seekers, to buy and rent, while offering insight into the future of the property sector based on interviews and surveys with local property experts.

Safety emerged as the most important factor for those looking for a new home, with location of the property ranking second, and affordability and cost constraints coming in third, Lamudi said.

Factors such as lifestyle and cultural options rated poorly among property seekers, the report found.

The second survey, targeting real estate agents, revealed the extent to which the property market has moved online.

Nearly three-quarters of brokers surveyed said the internet is now often used in the house-hunting process, while 27 percent said it was sometimes used, Lamudi said.

Around 97 percent of agents surveyed said the internet would become more popular among house-hunters over the next decade, it found.

"The primary conclusion that we have drawn from our research is that the future of Bangladesh's property sector is extremely bright," said Kian Moini, Lamudi's global co-founder, in the statement.

Over the next decade, as property prices rise in Dhaka, new growth areas are expected to emerge, like Uttara, Dhaka's biggest satellite town, and become increasingly popular with those looking to buy or rent a house, Moini added.

Liakat Ali Bhuiyan, vice president of Real Estate and Housing Association of Bangladesh, was interviewed for his insight into the sector as part of the report.

Bhuiyan nominated Dhaka and Chittagong as having top investment opportunities that have multiple advantages such as roads, flyovers and train services. "These cities are also important for commercial purposes, and the middle class is growing fast in both these cities."

The 16 countries covered in the report are Indonesia, the Philippines, Myanmar, Bangladesh, Pakistan, Sri Lanka, Jordan, Saudi Arabia, Nigeria, Kenya, Tanzania, Morocco, Ghana, Ivory Coast, Mexico and Colombia.

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