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Foreign investors to get wider benefits in new industrial policy

REJAUL KARIM BYRON

The facilities extended to foreign investors are set to be increased in the new industrial policy in yet another bid to bump up the disappointing inflow of investment from abroad.

For instance, foreign investors who take up green, high-tech or transformative projects will get a special financial incentive package.

There will be an integrated one-stop service, country-specific economic zones or industrial parks for foreign investors, as per the draft of the Industrial Policy 2016.

The draft was approved on February 24 by the cabinet committee on economic affairs and is now awaiting the nod from the prime minister.

Despite a series of efforts, the inflow of foreign direct investment remained at 1 percent of the country's gross domestic product.

In contrast, the FDI flows to Vietnam, China, and India were 6 percent, 5 percent and 3.5 percent of their GDPs respectively.

The government has already taken an initiative to set up separate economic zones for different countries.

The government has announced that about 100 economic zones will be set up throughout the country. The initiative is now being integrated into the formal policy.

Other than the separate economic zones, the foreign investors

INDUSTRIAL UNITS REDEFINED

CATEGORIES	INDUSTRIAL POLICY 2010	PROPOSED (2016) INDUSTRIAL POLICY
Large (manufacturing)	Capital: above Tk 30cr Workers: more than 250	Capital: above Tk 50cr Workers: more than 300
Large (services)	Capital: above Tk 15cr Workers: more than 100	Capital: above Tk 30cr Workers: more than 120
Medium (manufacturing)	Capital: Tk 10-30cr Workers: 100-250	Capital: Tk 15-50cr Workers: 121-300
Medium (services)	Capital: Tk 1-15cr Workers: 26-100	Capital: Tk 2-30cr Workers: 51-120
Small (manufacturing)	Capital: Tk 0.1-10cr Workers: 25-99	Capital: Tk 0.75-15cr Workers: 31-122
Small (services)	Capital: Tk 0.05-1cr Workers: 10-25	Capital: Tk 0.1-2cr Workers: 16-50

will also enjoy tax holidays.

Any foreign investor who invests \$10 lakh or transfers \$20 lakh to a recognised financial institution can apply for Bangladeshi citizenship, according to the new policy.

Prospective foreign investors will be given five-year multiple visa.

Two new sectors -- high-priority industry and creative industry -- will be included in the proposed industrial policy, for which the government will provide financial and policy support.

While there is a list of priority industries in the existing policy, the new policy cranked up the urgency, drafting in a list of high-priority industries.

The industrial policy, in its definition, said the high priority industries

are those sectors that create large-scale employment through quick expansion and earn substantial amounts of export revenue.

Subsequently, the industries will get priority in receiving government incentives for rapid development.

Six industries have been included in the high-priority category: agriculture and food processing, garment, ICT and software, pharmaceuticals, leather and leather products, and jute and jute goods.

Creative industries have been defined as the sectors producing aesthetic and creative products by using artistic and innovative thinking and techniques or modern technology.

These include architecture, art and antique, design, fashion design, film and video, interactive laser

software, software, and computer and media programmes.

A plan is underway to map out the creative industries in the country, according to the policy. The government will then provide policy and institutional support for the expansion of these industries.

In the industrial policy of 2010, specific tax benefits for underdeveloped and priority sectors were mentioned but the proposed policy said the tax facility will be given as per the existing customs, VAT and income tax laws.

The priority sectors and sub-sectors will get timely and separate investment incentives, according to the new policy.

The Bangladesh Bank, the National Board of Revenue, the Board of Investment and other related agencies will take the necessary steps.

Specific investment incentives, including subsidies, tax and duty rebate, have been proposed for the areas falling behind economically and in industrialisation.

The proposed policy has redefined the sizes of industrial units.

For example, a company with asset value of over Tk 50 crore and 300 employees will be deemed a large industrial unit.

At present, a company with assets of over Tk 30 crore and employees of 250 now qualify as a large industrial unit.

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Non-banks offer higher rates for deposits

SAJJADUR RAHMAN

When banks have slashed deposit rates to as low as 4 percent amid the declining demand for money, some non-bank financial institutions (NBFIs) offer "unsustainably" higher rates to attract deposits.

For example, Reliance Finance gives 10.75 percent interest for one-year deposits, while 10.25 percent and 9.75 percent for half-yearly and quarterly deposits.

The company also attracts clients with rates that can double their money in only six years.

"Rates vary depending on the credibility of the institutions. Depositors want more interest from a relatively less credible company," said Asad Khan, managing director of Prime Finance.

Prime Finance offers highest 8.66 percent interest for deposits with a two-year tenure in the individual category, while the rate is 8 percent for banks and government agencies.

"An institution needs to take high-cost deposits to ensure liquidity as per regulatory requirements," Khan said, explaining why some non-banks are offering higher rates for deposits.

Reliance Finance is not alone; some other non-banks also offer higher rates for deposits.

The rate is 10 percent at Premier Leasing and Finance for one-year deposits and 9.50 percent for half-yearly deposits.

International Leasing and Finance also

offers a 10 percent interest rate for one-year deposits.

Clients will see their money double in just five years and nine months if they deposit with People's Leasing and Financial Services.

BIFC and First Finance also offer 10 percent interest rates for deposits.

Asaduzzaman Khan, managing director of IIDFC, expressed doubts over the sustainability of the business with such high costs of funds, as many lenders cannot invest their money even at 10 percent.

"Cost of funds (deposits) at 10.75 percent is not sustainable at the moment. I have failed to attract a client even by offering 9.5 percent for a loan," he said.

Khan said IIDFC now offers maximum 9.5 percent for fixed deposit, which will go down further next month. In many cases, he said, IIDFC is discouraging fresh deposits.

Mafizuddin Sarker, chairman of Bangladesh Leasing and Finance Companies Association and managing director of BD Finance, sees another reason why some non-banks collect high-cost deposits.

"Many banks do not want to deposit their money with troubled NBFIs. Even these institutions do not get loans from the call money market," Sarker said.

Jalal Uddin, managing director of Reliance Finance, admitted they are taking high-cost deposits. But he said the rate will go down next month.



Runa Khan, founder and executive director of Friendship, a nongovernmental organisation, speaks at a press meet at The Daily Star Centre in Dhaka yesterday.

Maritime satellite service for healthcare in remote areas

STAR BUSINESS REPORT

Friendship, a non-governmental organisation that works with remote river-based communities, will launch a maritime satellite communication system to enable the doctors in its floating hospitals to provide better treatment.

Introduced in Bangladesh by Friendship, a floating hospital is a river barge with all the necessary

medical equipment to provide primary and secondary healthcare services.

The very-small-aperture terminal (VSAT), which will be set up with the support of a Luxembourg-based satellite company called SES, will be launched on Wednesday at the Emirates Friendship Hospital in the northern district of Gaibandha.

It will also be connected to other

floating hospitals -- Lifebuoy Friendship Hospital and Rongdhonu Friendship Hospital -- and the Friendship Training Centre in Gaibandha.

A two-way satellite ground station with a dish antenna that is smaller than 3 metres, VSAT enables the remotest locations, where there is no mobile signal, to communicate with any part of the globe.

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Come out of default list by mediation

International Cotton Association asks Bangladeshi importers

REFAJET ULLAH MIRDHA

The International Cotton Association has recommended Bangladeshi companies take up mediation to come out of the default list.

At present, Bangladesh is on top of the default list with 94 companies, ICA Chief Executive Officer Kai Hughes told The Daily Star in an interview in Dhaka on Thursday.

The companies on the default list were affected during the cotton price fluctuation of 2010-11.

The cotton price had leapt to almost \$2.5 a pound during the two years from its historic range of 55-60 cents.

The local importers had inked cotton purchase deals, worth a total of \$79 million, at the increased rate, but did not honour the contracts or are delaying in making the payments.

As a result, the ICA put those companies on the default list, as the agreements were signed under the laws and bylaws of the association.

Had they read the terms and conditions of the ICA during the purchase agreement, they would have showed sanctity to the deals, he said.

"The default list is a concern for us as an association," Hughes said, adding that only one Bangladeshi company has so far been able to negotiate its way out of the default list.

Mediation is a tripartite measure for removal of companies from the default



Left, Kai Hughes, chief executive officer of International Cotton Association, speaks in an interview with The Daily Star on Thursday.

list. The process entails the Liverpool-based arbitration body calling the importers, suppliers and other stakeholders for discussions to settle the disputes.

Hughes said ICA high-ups have been calling in to Bangladesh every year to speak with the leaders of the Bangladesh Textile Mills Association and the Bangladesh Cotton Association to resolve the issue.

"We want the removal of the companies from the default list as it is no good for future business. No other

reputed suppliers will do business with the defaulting companies in future."

The defaulting companies are now doing business with suppliers who are not members of the ICA.

Regarding the cotton price, he said the price stability of the fibre largely depends on China's consumption, the largest cotton consumer worldwide.

Cotton traded between 65 cents and 67 cents two weeks ago, according to industry insiders.

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New cable TV service in April

STAR BUSINESS REPORT

A new cable television service provider—Jadoo Digital—is set to launch its operations in Bangladesh in the first week of April.

Jadoo Digital will enter the market primarily with high-definition television services which will later be followed by internet and voice-call services.

A unit of Mohammadi Group owned

by Annisul Huq, Jadoo Digital was conceived to provide consumers with breakthrough entertainment and communication experience, according to a statement.

The company has already started its test transmission under a pilot project in Nikaton area in Dhaka, said Ishraq Dhaly, head of marketing at Digi Jadoo Broadband Ltd that owns Jadoo Digital.

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