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Slowdown in investment: a headache for Muhith

SAJJADUR RAHMAN

The outgoing fiscal year is defined by growing confidence and optimism in the country's ability to achieve higher economic growth.

The government's increasing investment in giant infrastructure projects has helped Bangladesh achieve 7.05 percent growth.

Yet, there are many concerns in the economy, with the slowdown in private investment being the paramount of all, brought on by inadequate gas, electricity and land.

Declining remittances could hurt the economy further.

The inflow of foreign direct investment is also a matter of worry. Even though the country offers the most liberal investment opportunities in South Asia, the FDI in Bangladesh is less than in India, Myanmar and Pakistan.

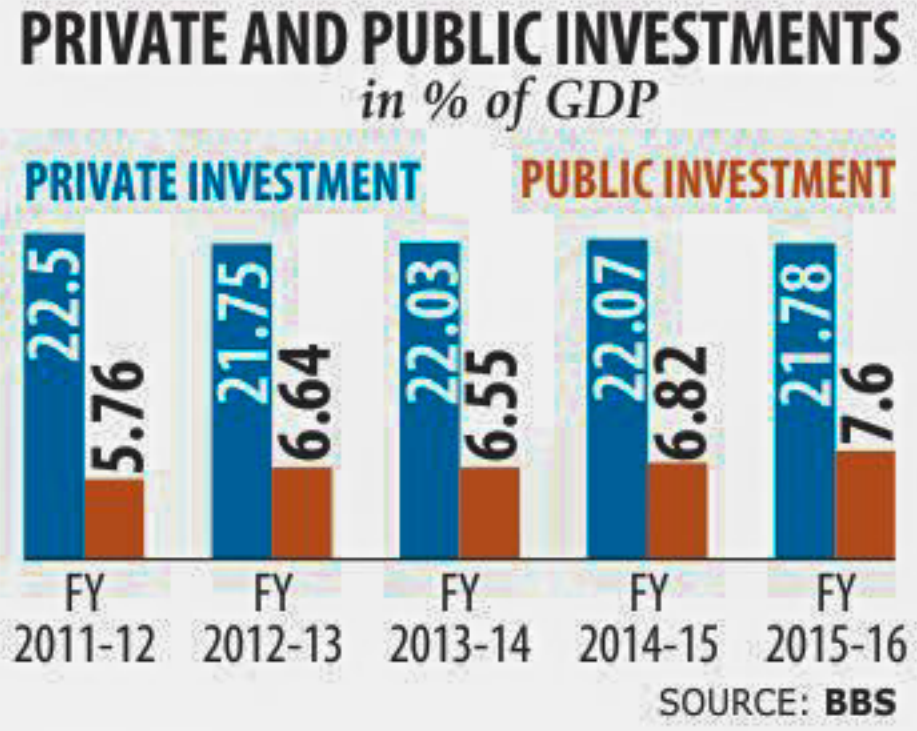
The government's capacity to implement the budget and public-private partnership (PPP) projects also raises questions as no significant progress was seen on this front.

Reforms or privatisation of state-owned enterprises, including troubled banks, is another big challenge for the government.

In this backdrop, Finance Minister AMA Muhith is set to place the budget for fiscal 2016-17 in parliament today.

He has already disclosed many of the budget figures including the total outlay, which would be about Tk 340,000 crore, up about 30 percent year-on-year. The figure is also 17.4 percent of the gross domestic product.

Inadequate gas, electricity and land are big impediments to private investment,



said Wahiduddin Mahmud, a renowned economist.

The finance minister himself several days ago said it would take two years to address the gas crisis, meaning businessmen who want to set up new factories will have to wait for that long to get gas supply to their units.

Zaid Bakht, another economist, said the upcoming budget has to have the alchemy to boost private investment, which has been declining or stagnant for the past few years or so.

"We succeeded in attaining higher GDP growth by increasing public investment. If we want to transcend that, private investment has to be boosted up, and for that, an improved business climate is needed.

Bakht, who is also the chairman of Agrani Bank, suggested the government improve the investment climate by ensuring quality public expenditure.

Overall investment stood at 29.38 percent of GDP in fiscal 2015-16, with private sector accounting for 21.78 percent, accord-

ing to Bangladesh Bureau of Statistics. Five years ago, the private sector's contribution stood at 22.5 percent.

On the other hand, public sector investment rose to 7.6 percent in the outgoing year from 5.76 percent five years ago.

The turnaround of this static state of private investment will be a key challenge for the government, according to analysts.

"Public sector investment is rising, but it cannot substitute private investment," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance for Development.

He said the government has been trying to boost private investment, but it seems the measures are not enough to inject confidence among businesses.

Binding constraints such as gas, electricity and land crisis have to be resolved to boost investment.

"But the good thing is private sector credit growth has started picking up in recent months," said Mujeri, also a former director general of the Bangladesh Institute of Development Studies.

Private sector credit grew 15.16 percent year-on-year in March, according to data from Bangladesh Bank. The July-March credit growth is still low at 10.76 percent compared to the BB's annual target of 15 percent.

FDI inflows remain below 1 percent of GDP. Bangladesh received \$1.6 billion last year, but the country needs about \$5.4 billion a year to fulfil its dream of getting the middle-income status by 2021.

In contrast, Myanmar in the 12 months to March received \$9.4 billion in FDI, up from the previous year's \$8 billion. Pakistan received FDI amounting to \$2.68 billion in 2015.

Foreign remittance, which is one of the major lifelines to the Bangladesh economy, is declining in recent months, much to the concern of the government and the millions of beneficiaries.

Remittance slipped 2.39 percent in the first ten months of the fiscal year, and in the month of April it plummeted 7.71 percent, triggering worries that the trend will only get worse.

The last but not the least concern is the government's poor budget implementation capacity.

Analysts said the size of the budget has been rising incrementally, but implementation capacity and the quality of spending have not improved in proportion.

"In reality, the size of our budget is not big, but it gets bigger when we see the implementation capacity," Mujeri said.

It is also evident in the finance ministry's data.

Promises for tax reforms fall through

SOHEL PARVEZ

Four years ago, when Finance Minister AMA Muhith unveiled his plan to modernise the tax revenue system to ease taxpayers' hassle, many believed that better days are on way.

Today, four years on, taxpayers still do not have much to celebrate, as save for a few promises, all remained unfulfilled.

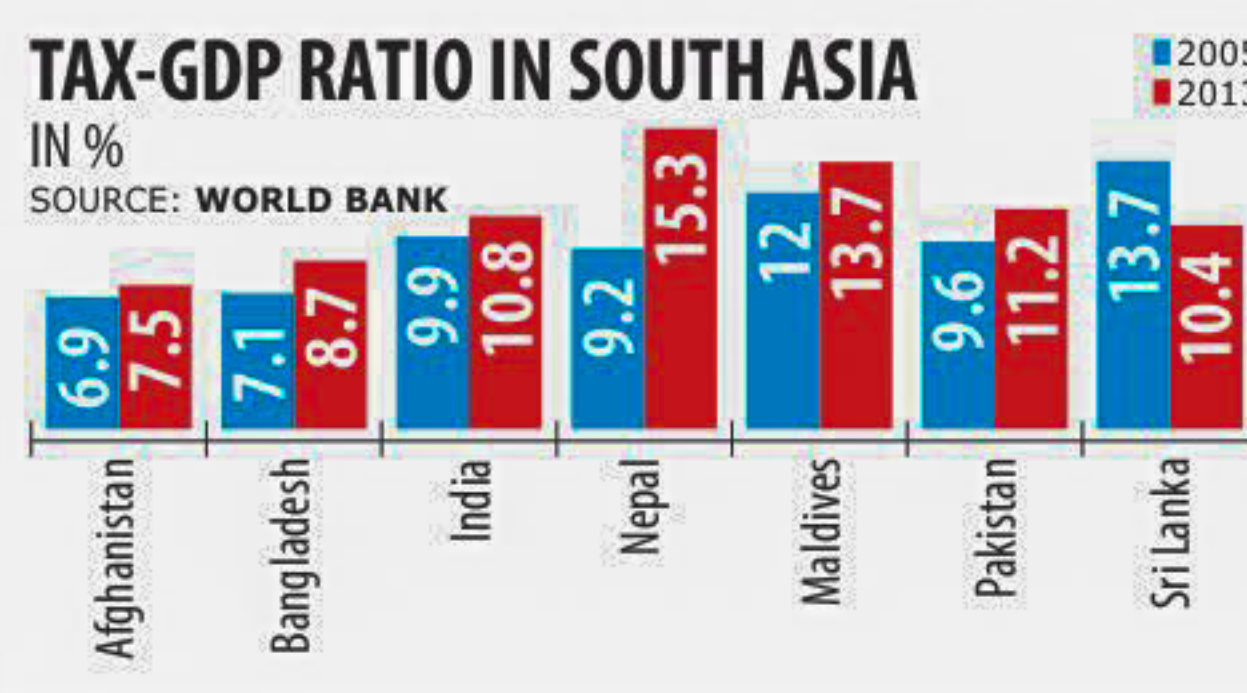
By now, the tax system was supposed to be fully automated enabling taxpayers to file returns, pay taxes online and thus get relief from visiting tax offices. It is yet to materialise.

The tax administration is eyeing the next fiscal year to open the scope for online returns filing -- a facility Muhith had promised to fulfil by 2014.

This is one of various commitments made by the finance minister in his past budget speeches to modernise the revenue system through automation and reforms.

The underlying goal of all the initiatives was to accelerate revenue growth and raise Bangladesh's tax-GDP ratio so that the state can spend more for the advancement of the nation from its own coffer.

Bangladesh's tax-GDP ratio, a measure of a state's capacity to finance its programmes, is one of the lowest in the world. In South Asia, it is just above Afghanistan, according to the World Bank. In his budget speech in fiscal 2011-12, Muhith unveiled the 'NBR Modernisation Plan' for 2011-16, which aimed to raise the tax-GDP ratio to 13 percent by 2016.



Robi's net profit slides 57pc in first quarter

MUHAMMAD ZAHIDUL ISLAM

Mobile operator Robi's net profit dropped 57.17 percent year-on-year to Tk 39.7 crore in the January-March period, the lowest in 11 quarters, as a result of sharp competition and a slowdown for biometric SIM registration.

Robi posted Tk 92.7 crore in net profits in the first quarter of last year, the operator's Malaysia-based parent company Axiata Group said in the quarterly report on its website.

Robi, the third largest carrier, clocked up Tk 1,183.5 crore in revenue in the first quarter of the year, while its growth declined 2.7 percent year-on-year, the lowest in eight quarters, according to the report.

Robi officials in Dhaka did not make any comment on the issue.

Axiata said the operator's first quarter performance was affected by external factors such as heightened competition and an industry-wide drop in the subscriber base impacted by biometric registration that began in December.

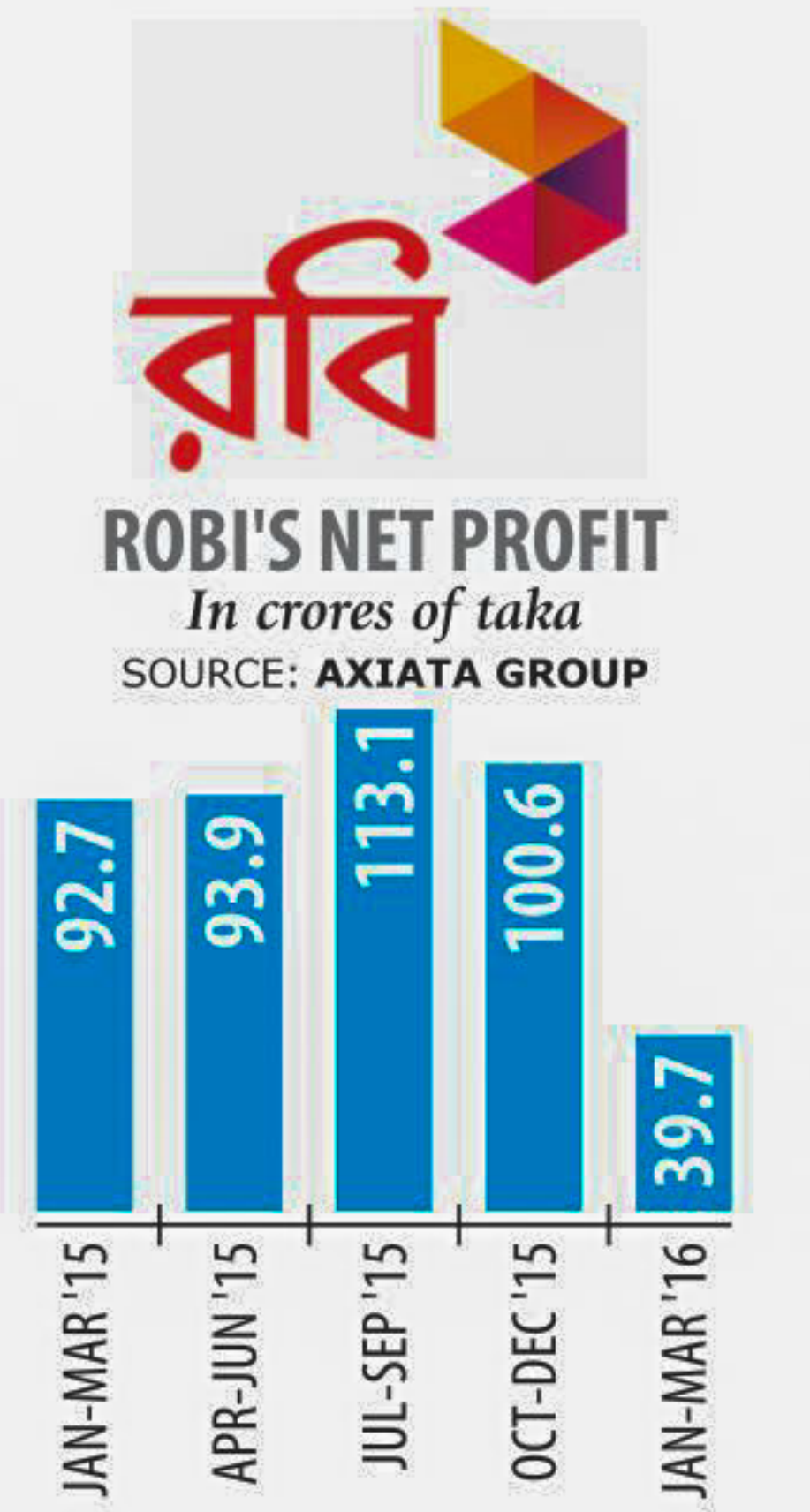
The number of data subscribers, however, grew 8.3 percent year-on-year to 1.3 crore in the first quarter, contributing to an increase of 19.1 percent in data revenue. Data accounted for 12.4 percent of the operator's revenue during the quarter.

Axiata's report showed that the operator's active subscribers, smartphone penetration and average revenue per user every month declined compared to the immediate past quarter.

Robi's active subscribers at the end of March stood at 2.75 crore, which was 2.83 crore at the end of December last year.

Robi is now awaiting a merger with Airtel to become the second largest operator in Bangladesh after Grameenphone.

Currently, the operator's smartphone penetration stood 18 percent, which even reached 20 percent by the end of December, Axiata's report reads. The operator's average monthly income



against every subscriber was Tk 149 that came down to Tk 135. Both prepaid and postpaid subscriber spending also declined, according to the report.

Though Robi was the third largest operator by subscribers and second in terms of revenue in the last couple of years, the setback pushed them back to third position in revenue, after Banglalink and Grameenphone.

Banglalink recorded Tk 1,220 crore in revenue in the first quarter although it did not mention its profitability position.

Grameenphone secured Tk 2,760 crore in revenue in the same period, with Tk 560 crore in net profits, according to the operator's quarterly report.

United Airways to raise Tk 400cr through private placement

STAR BUSINESS REPORT

Private carrier United Airways will raise Tk 400 crore from two foreign firms and a local aviation company to purchase aircraft and repay loans.

The company was desperately looking for funds from different sources, and the latest move will help the airline resume its flight operations that remained suspended for months due to unavailability of aircraft.

United Airways will raise the funds by issuing 40 crore ordinary shares of Tk 10 each to Singapore-based Swift Air Cargo Pte Ltd and Phoenix Aircraft Leasing Pte Ltd, and Bangladesh's TAC Aviation Ltd.

The lone listed airline yesterday got approval from Bangladesh Securities and Exchange Commission to raise the funds through private placement, according to a statement.

Private placement is a way of raising funds from chosen or select private investors without an initial public offering. In Bangladesh's stockmarket, only an issue manager can sell shares under private placement on behalf of an issuer company.

The stockmarket regulator also imposed three-year lock-in on the United Airways' shares for Swift Air Cargo and one year lock-in for Phoenix Aircraft and TAC Aviation.

The lock-in on shares means these cannot be sold or transferred within the stipulated time.

Flights of United Airways have remained suspended from March 5 due to unavailability of serviceable aircraft.

The aircraft were grounded for maintenance, but the airline did not have enough funds to do the required servicing, which is a matter of high cost.

The net operating cash flow of the airline also shows its financial weakness. It was only Tk 0.26 during the July-December period of last year, down from Tk 0.40 a year earlier, according to data on the DSE website.

Established in 2007, the airline has 11 aircraft in its fleet: two Airbus 310-325, five MD-83, three ATR-72-212 and a Bombardier Dash-8 100.

It has permission to operate domestic flights to Chittagong, Sylhet, Jessore, Cox's Bazar, Rajshahi, Barisal, Saidpur and Ishwardi.

On the international routes, it has permission to fly to Dubai, Kuala Lumpur, Kathmandu, Kolkata, Jeddah, Bangkok, Muscat and Singapore.

Saarc satellite move puts Bangladesh in a dilemma

Its services and coverage areas are similar to those of Bangabandhu-1 satellite

MUHAMMAD ZAHIDUL ISLAM

India's move to launch a "Saarc satellite" has put Bangladesh in a dilemma, as the Indian initiative may reduce business opportunities of Bangabandhu-1 satellite, now in the making.

Officials of the telecom ministry and the telecom regulator said they are not against the idea of the Saarc satellite, but they are worried as the satellites will provide similar services in the same geographic locations.

India sent a letter to the foreign ministry in the middle of May, showing its interest to sign a memorandum of understanding with Bangladesh to get the country's support for the Saarc satellite.

The letter was finally sent to Bangladesh Telecommunication Regulatory Commission to make a final decision through consultation with experts.

"We support the Saarc satellite, but we also have to ensure that our own satellite is a success," Tarana Halim, state minister for telecom, told The Daily Star.

Tarana said the government has already discussed the issue with analysts. The telecom ministry will raise the matter in inter-ministerial meetings after getting a technical report from the experts, she said.

Indian High Commissioner Harsh Vardhan Shringla met BTRC Chairman Shahjahan Mahmood last week and discussed issues related to the satellite.

"We need technical discussion to make a final decision," Mahmood said after the meeting.

The two satellites will be in different orbital slots, but they have the same service area, which will certainly create problems for Bangladesh, telecom ministry officials said.

India also mentioned in the letter that

Pakistan has showed no interest in the Saarc satellite, they said.

Afghanistan also declined to participate in the India-led initiative, while the other Saarc nations -- Sri Lanka, Bhutan, the Maldives and Nepal -- are joining the bid.

At the Saarc summit in Kathmandu in 2014, Indian Prime Minister Narendra Modi urged the member countries to join the Saarc communication satellite initiative.

India sat with different member countries in several meetings since then to gain support for the satellite, the telecom ministry officials said.

BTRC officials said the Indian authority has already applied to the International Telecommunication Union for an orbital slot, and it will be easy for the country to get the desired slot if other Saarc nations support India.

The name should not be Saarc satellite if all nations do not join the project, the officials said.

The capacity of Bangabandhu-1 satellite will be greater than that of the Saarc satellite, they said.

The Bangladeshi satellite will be launched by December 2017 at a cost of Tk 2,967 crore. French company Thales Alenia Space has been awarded the work.

India had a plan to launch the satellite by this year but it has later been postponed to 2017.

The Bangladesh government also formed a company named Bangabandhu Communications Satellite Bangladesh Ltd, which also has plans to launch two other satellites -- Bangabandhu-2 and Bangabandhu-3.

A team led by BTRC chairman is now visiting France to meet officials of Thales Alenia to talk about issues related to the satellite project.

CPD to conduct study on apparel industry

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) will conduct a study on the country's apparel industry to find out the changes that are taking place in the sector after the Rana Plaza building collapse.

The private think tank made an announcement about the study titled "New dynamics in Bangladesh's apparel

enterprises: perspectives on restructuring, upgradation and compliance assurance" at a programme in Dhaka on Tuesday.

The centre will highlight how better compliance and their implications for cost and competitiveness are bringing changes at the enterprise level in the garment sector, CPD said in a statement.

The study will come up with a set of

recommendations towards future development of the apparel sector as a compliant, highly competitive, gender-sensitive, productivity-driven and decent labour promoting industry, according to the statement.

The study will build on CPD's recent work carried out in the aftermath of the Rana Plaza tragedy.

The labour and employment secretary

will chair the study's advisory group.

Representatives from trade bodies, labour unions, Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association, experts, activists, International Labour Organisation (ILO) and other stakeholder groups will also work in the study.

SME BANKING

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