

BASIS wants 40pc cash incentive on exports

The association placed their budget proposals

STAR BUSINESS REPORT
The trade body for software exporters yesterday demanded 40 percent cash incentive on exports of software and IT-enabled services.

Bangladesh Association of Software and Information Services made the call in a pre-budget meeting at the National Board of Revenue.
The industry is capable of earning \$1 billion from exports; and this year it has already crossed the \$700 million-mark, said Mustafa Jabbar, president of BASIS.
"We can achieve the \$5 billion export earnings target by 2021. To do that, the government should provide the sector with the incentive," he said.
If the industry gets only 40 percent cash incentive for a period of five years, it will perform as well as if not better than the garments sector and will create millions of new jobs, the BASIS said.
BASIS also urged the government to withdraw value-added tax and other duties on the use of internet.
On Tuesday, the Association of Mobile

Telecom Operators of Bangladesh also wanted the VAT on internet use to go.

Mainly people are not using internet because of the VAT burden, Jabbar said.

"If we can increase broadband penetration by 10 percent, it will help us to boost GDP by 1 percent. But the VAT and other taxes are making it impossible."

In yesterday's meeting, Bangladesh Computer Samity (BCS) demanded tax holiday for assembling computer and computer accessories in the local market until 2024.

There is tax holiday in the industry, but local assemblers do not get it, said Ali Ashfaq, president of BCS.

"We are entering into a digital society from an agriculture-based society. So we need to go for assembling IT products, which will also help us to export the product as well."

Currently, the tax is much higher for assembling IT products than importing.

The leaders from the Internet Service Providers also placed their demands in the meeting.

India's Paytm in talks with SoftBank to raise \$1.5b

REUTERS

Electronics payments provider Paytm is in talks with Japan's SoftBank Group to raise \$1.2 to \$1.5 billion in cash, making the latter one of the largest shareholders in the fintech start-up, Mint newspaper reported on Wednesday. The deal, which could increase Paytm's valuation to \$7 billion to \$9 billion, will see SoftBank buying some shares from existing Paytm investor SAIF Partners and founder Vijay Shekhar Sharma.

Esquire Knit to spend Tk 576cr

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Book building is a process through which an issuer attempts to determine the price to offer for its security based on demand from institutional investors.

The price of an IPO share is determined through an automated bidding participated by financial institutions.

The shares are then opened for the IPO participants at the cut-off price. The method was suspended and then revised by the regulator following the 2011 market crash.

Prime Finance Capital Management is the issue manager of the Esquire Knit IPO.

Habib said Esquire Knit has emerged as a conglomerate with knitting, fabric dyeing and finishing, cutting, sewing, industrial laundry, embroidery, printing and washing facilities under one roof.

Presently, he said, about 8,000 employees are working at the company, and the expansion will create employment opportunities for another 10,000 people.

Esquire Knit's revenue stood at Tk 196.7 crore in the July-December period of 2016. Its net profit was Tk 15.55 crore with earnings-per share of Tk 1.55 during the same period, while the net asset value per share stood at Tk 44.26. It has a paid-up capital of Tk 100 crore.

At present, 47 textiles and garment companies are listed on Dhaka Stock Exchange, accounting for about 4 percent of total market capitalisation.

Insurance weighed down by lack of awareness, taxes

STAR BUSINESS REPORT

The insurance industry is lagging behind for a lack of trust and awareness among people, said stakeholders yesterday.

Moreover, the sector is overburdened with taxes imposed at several levels, which hinders growth, said Sheikh Kabir Hossain, president of Bangladesh Insurance Association (BIA), speaking at a pre-budget press meet at the association's headquarters in Dhaka.

The sector could not grow to its potential for the government's negligence, he added.

Stakeholders also failed to build trust among the people and create a positive impression about insurance in the market, he said.

Placing a six-point demand, the sector wants withdrawal of the 5 percent gain tax on deposit holder's profit, 15 percent VAT against agent commission, 5 percent source tax and tax on excess expenses, reduction of corporate tax and an increase in the tax free dividend income limit.

He said deposit holders do not get lucrative returns from the insurance companies, as their main benefit is accident coverage.

When there is no accident, the policy holders are given very little amount in return at maturity of their deposits. The government imposed 5 percent gain tax on the depositor's income in 2014, which is unacceptable. No other country has such a practice, he added.

Such taxes make people reluctant; policy holders would much rather deposit their money with the banks, he said.

The government imposed dual taxes on insurance agents through 15 percent VAT and 5 percent source tax, he added.

Insurance companies also have to pay 40 percent income tax on excess expense.

There is a provision for fines by Insurance Development and Regulatory Authority for management expenses beyond the limit.

The high level of taxes makes it difficult for the weaker insurance companies to sustain in the market, said Hossain, who is also the chairman of Sonar Bangla Insurance.

Finance Minister AMA Muhith and National Board of Revenue Chairman Md Nojibur Rahman both agreed with BIA's proposal earlier, but they could not withdraw the taxes to sustain the large budget, said Ahasanul Islam Titu, vice president of BIA.

He said insurance penetration in terms of GDP is less than 1 percent in Bangladesh, which is insignificant compared to other countries, including neighbouring India.

It is mandatory for every organisation to have insurance policies for their labour force as per the labour law, but most companies are non-compliant, he added.

The government has to monitor implementation of the law, he said.

The sector needs incentives from the government to grow. More business means more returns for the exchequer, he added.

NBR asks banks to freeze accounts of an Otobi unit

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This unit 5 of Otobi is located at Savar, Dhaka's northwest, according to Mahbubul Alam, chief taxation officer of Otobi Ltd.

Alam denied the allegation of evasion but said the firm could not pay the VAT in time.

"We could not pay because of financial crisis caused by a fire at the factory earlier," he said.

He said the company has raised dispute of Tk 15 lakh out of the total claim by NBR's field office. "But we were not given any clarification," he claimed.

Freezing of bank accounts was not the right move and Otobi vows to fight the case legally, Alam said.



Geeteera Safiya Choudhury, chairman of Adcomm Ltd, and Md Ruhul Amin Molla, CEO of Orion Footwear Ltd, exchange the signed documents of a deal at the office of Adcomm. The marketing communication activities of Orion will be conducted by Adcomm.

Govt to rethink allowing local companies to invest abroad

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"Our target is also to reduce the number of stages to 3 to ease business procedures, like in Singapore or Korea."

M Khaled Iqbal, chairman of the Chittagong Port Authority, said Chittagong Port handles more than 92 percent of export and import volumes and 98 percent of containerised cargoes every year.

Chittagong port was ranked 76th among the 100 top ports across the world for handling cargoes.

In 2016, the port handled 2.35 million TEUs (Twenty Equivalent Units) of cargo, which was 2 million TEUs in 2015 and 1 million TEUs in 2008.

Iqbal said the port authority is developing a bay terminal near Halishahar in Chittagong on 10km of reclaimed char on the Bay Bengal, mainly to reduce the pressures on Chittagong Port. It is also working to develop a small port at Mirershorai and a bay terminal at Patenga, he said.

The port authority is working to deliver services round the clock, he added.

Md Nojibur Rahman, chairman of the National Board of Revenue, said the customs and taxation systems have been digitised to ease the business processes. "Digitisation will reduce corruption and harassment for businessmen."

Moody's maintains stable outlook for Bangladesh

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"The maintenance of the stable outlook reflects the expectation that the balance of credit strengths and challenges is unlikely to shift over the outlook horizon."

Between FY2007 and FY2016, real GDP growth averaged 6.2 percent year-on-year, which was significantly higher than the median of 4.3 percent for Ba3-rated peers.

Moody's expects Bangladesh's global apparel market share, currently about 6 percent, to rise as China continues to transition away from low-end manufacturing into higher-value goods, while the country preserves its cost competitiveness and improves its attractiveness to foreign direct investment.

It said remittance flows would stabilise near current levels, and potentially pick up in line with future increases in global oil prices.

"An increase in Bangladeshi overseas worker emigration in 2016 should provide some support to inflows later this year. Nonetheless, if the current trend of falling remittance does persist, it would likely have a negative credit impact by dampening consumption and widening the current account deficit."

It said average inflation fell from 10.26 percent in FY2011 to 5.51 percent in FY2016, below the Bangladesh Bank's target ceiling of 5.8 percent. Moody's expects price pres-

ures to remain contained, with inflation rising only marginally close to 6 percent by the end of 2017.

On the external front, strong export growth has supported an increase in foreign exchange reserves to about \$31 billion in FY2017 from about \$8 billion in FY2011.

Moody's expects the recent decline in remittances, along with a rise in import demand, to result in a very small current account deficit of about 0.2 percent of GDP in FY2017.

It said fiscal deficits have averaged 3.3 percent of GDP over the past five fiscal years and the debt-to-GDP ratio has declined to 27.2 percent in FY2016 from 40.2 percent in FY2006. Bangladesh's government debt ratios are significantly below the median of 41.3 percent for Ba3-rated peers.

Multilateral and bilateral funding, much of it concessional, accounts for about 46 percent of general government debt and 80 percent of total external debt. "This favourable debt structure mitigates debt affordability risks stemming from weak government revenues."

Moody's expects the general government debt burden to rise marginally to just below 30 percent over the next two years, and to continue to be financed largely by concessional borrowing.

GP on a roll

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The operator was the first to introduce GSM technology in Bangladesh and mobile to mobile telephony and became the first company to cover 99 percent of the population.

GP was the first telecom operator to introduce the pre-paid service in 1999. It established the first 24-hour call centre, introduced value-added services such as SMS, fax and data transmission services, international roaming service, SMS-based push-pull services, and personal ring back tone.

In the process, the operator has eliminated thousands of miles of physical distance, facilitated trade and commerce, education, health care and created jobs.

"Now we are looking forward to the next 20 years."

In the last two decades, Grameenphone has added 8,124 users per day on average. Now, 30,000 to 35,000 new customers are joining the network every day.

Furberg said the operator is trying to build a digital ecosystem that will be helpful for the people living even in the furthest part of the country.

"We are not only a telecom company; we are a company for the future which helps boost the economy," he said.

GP offers bill and utility payments services and has channelled 3.88 crore transactions so far. The operator allows its subscribers to buy train tickets through mobile phones.

Starting with only 47 employees, it directly employs about 3,000 people. But some 7 lakh people are directly or indirectly reliant on the company for their livelihood as dealers, retailers, scratch card sellers, suppliers, vendors, contractors and others.

The company invested Tk 29,860 crore as of December 2016 in the country. At the same time, it contributed Tk 47,760 crore to the state coffers. It disbursed Tk 15,249 crore among shareholders since 2015.

Norwegian telecom giant Telenor holds 55.8 percent share in GP, while Grameen Telecom owns 34.2 percent and the remaining shares are held by general retail and institutional investors.

The company is now working on e-commerce services and segments such as entertainment and plans to roll out more digital services.

However, some local e-commerce entrepreneurs have opposed GP's move to make entry into the segment.

But Furberg argued: "If the entry is restricted it will be bad for Bangladesh as it will limit innovation."

"If people want, services such as Alibaba and Amazon will come to Bangladesh and Facebook will run classified ads. Then what is the problem with Grameenphone?" he asked.

"We are definitely not monopolising and pushing someone out of the market. Rather we are bringing more competition to the market."

Despite all the achievements, GP

also has frustrations as it has not got permission to launch mobile financial service (MFS).

Furberg said: "Even we applied together with a bank, but we have not been given the approval."

"This is a loss for the Bangladeshi people because there will be less competition in this segment," he said, adding that GP is not pursuing the MFS issue any more.

The former CEO of Telenor Myanmar said given the advancement in technology and the advent of data services that have brought in lifestyle, communications and social empowerment applications onto smartphones, it is hard to predict where the company will be after one or two years.

"I can at least say that as long as Grameenphone continues to provide innovative and relevant services it will have a place in the heart of its subscribers," said Furberg.

He said the future of the industry will lie more in data and digital empowerment and GP will try to meet the customers' needs as best as it can.

"Grameenphone wants to be a facilitator to promote innovation and entrepreneurship and we have already started to establish such platforms."

Yesterday, GP's market capitalisation was Tk 45,195 crore, the highest among 331 companies listed on the Dhaka Stock Exchange. Its shares traded between Tk 328.10 and Tk 336 on the premier bourse.

Address source of inequality

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Suggesting mandatory offering of equity stake in the value addition process, he said, "It is actually making a farmer a business partner of the corporate entity which finally sells his produce."

The ultimate aim should be to move towards a "common school system which provides high quality public education."

Chairman of Kasturi and Sons Ltd and President of Madanjeet Singh Foundation N Ram outlined the need for South Asian countries to promote understanding.

Chairperson of South Asia Foundation (India chapter) Mani Shankar Aiyar, Vice-Chancellor (officiating) of Pondicherry University Anisa Basheer Khan and Representative of the South Asia Foundation to Unesco France Marquet were among those who spoke.

Cybercriminal Lazarus group hacked Bangladesh Bank

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The way banks use SWIFT software requires personnel responsible for administration and operation. Sooner or later, the attackers find the personnel and gain the necessary privileges to access the SWIFT platform, Kamluk said.

"With administrative access they can manipulate the software as they wish. There isn't much to stop them because from a technical perspective their activities may not differ from what an authorised engineer would do: starting and stopping services, patching software, modifying the database."

SWIFT hasn't been directly at fault. More than that, we have witnessed SWIFT implementing integrity issue detection to protect customers."

When asked whether the report could be used as legal evidence, Kamluk said Kaspersky Lab didn't aim to create a report to fit legal requirements.

"Our goal was to protect our customers. Although we do forensic analysis in a way that is very similar to the best law enforcement standards, we are not obliged to follow the full chain of custody. However, on request we can."

Talking about the heist's impact on the local IT industry, Praber Sarker, chief executive officer of Officextracts

which is the Bangladesh Kaspersky Lab distributor, said it had implications not only for IT but also for the financial, government and corporate sectors, as well as the entire nation.

"All quarters became aware of cyber security with a jolt. The major effect is awareness."

He said immediately following the incident the number of people and establishments claiming cyber security expertise mushroomed, with many using the incident to generate hit and run business. "That phase is fading now. IT professionals have gained experience over the past year to implement the right security strategies."



Meno Liew, managing director of Farrer Park Hospital, and Moeen Tariq, managing director of Concito PR, attend a deal signing ceremony at the Dhaka office of the hospital. Concito will be the exclusive public relations agency of the hospital.