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# star BUSINESS

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## Private investment flatters to deceive

REJAUL KARIM BYRON

Private investment continues to remain obstinately stuck in the slow lane, putting a damper on the country's growth aspirations.

In fiscal 2016-17, private investment to gross domestic product ratio is expected to be 23.01 percent -- only 0.02 percentage points higher than the previous year, according to provisional data from the Bangladesh Bureau of Statistics.

The ratio has been stagnant for the past several fiscal years save for the last, when it edged up about 1 percentage point to 22.99 percent.

The ennui on the investment front is even more puzzling given the amount of excess liquidity that the banking system is sitting on and the lending rates.

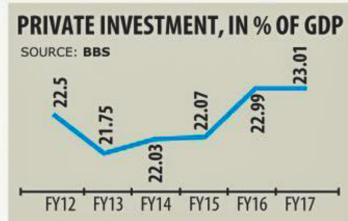
As of November last year, Tk 277,956 crore is lying idle among banks, according to Bangladesh Bank.

The banks' lending rate decreased significantly in the past couple of years: the weighted average lending rate stood at 9.70 percent in March, down from 11.93 percent two years earlier.

"There are many reasons for private investment not picking up," said Zahid Hussain, lead economist of the World Bank's Dhaka office.

For one, the cost of doing business has remained high in Bangladesh due to various regulatory complexities and uncertainties, he said, while citing the country's continued low ranking in the WB Group's Doing Business index.

The energy constraint has not eased despite improvements in electricity generation, and the physical infrastructure, particularly relating to trade logistics, has



remained poor. "We have roads but they are not well maintained. Ports are unable to handle import and export cargoes efficiently. Our railway system fails to deliver the services investors need to conduct their business, while the water transport system continues to depend on outmoded technology."

The financial markets have not developed to keep up with the dynamism of the private sector, Hussain said.

"On the contrary, the banking system has moved in the opposite direction with large nonperforming loans and regulatory capture by vested interests."

Investors find it difficult to access medium- and long-term credit at affordable interest rates.

Last but not the least, efforts to ease the access to land have not yet produced any visible results. "We have not succeeded in getting any special economic zone ready for operation yet."

Hussain also remained sceptical about the slight pick up in investment last fiscal year.

"Last year it increased by nearly a percentage point of GDP, but there was no satisfactory explanation about where it went," he added.

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## GSMA calls for lower 4G spectrum prices in Bangladesh

STAR BUSINESS REPORT

A global association of mobile operators has called for lower 4G licensing fees ahead of the next round of auctions, due to be held in a couple of months' time, to reflect the local market realities and facilitate the Digital Bangladesh goals.

The country's mobile operators are already burdened with some of the highest taxes in the world and the high fees would make it more challenging for them to roll out the new technology, said the Global System for Mobile Association in a press statement recently.

In that case, the government move would be counterproductive: the high prices would impose a significant burden in meeting the 'Digital Bangladesh' objectives and impact the future of mobile broadband services in the country.

The Bangladesh Telecommunication Regulatory Commission has sent its proposal to the government on the 4G spectrum prices last month.

For each megahertz, it recommended \$35 million on the 1,800 band, \$30 million on the 900 band and \$27 million on the 2,100 band.

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## Banks irked by interest rate cap on credit cards

JEBUN NESA ALO

Bangladesh Bank's decision to cap the interest rate on credit card came as a shock for the banking industry, especially those with a good exposure to this segment.

Earlier on May 11, the central bank issued a guideline on credit card operations and for the first time, set a limit on the interest rate on credit cards.

Banks can charge the highest interest rate of consumer loans plus 5 percent, meaning that the interest rate on credit cards would come down to 16-17 percent -- half the

**KEY POINTS**

- Total number of credit cards **946,954** as of December 2016
- Monthly transaction value around Tk **600cr**
- Outstanding loan in credit card Tk **2,963cr** as of December 2016
- Default loan rate **8-9%**
- Interest rate on credit card hovers between **30% and 36%**

existing rate.

Currently, banks charge as high as 36 percent interest on credit card, while interest rates on consumer

credit stand at 11-12 percent.

Bankers termed the BB move unrealistic and also detrimental to the country's digital vision that encourages cashless transactions.

Amid this situation, bankers called an emergency meeting last week to discuss the issue and decided to write to the BB through the Association of Bankers Bangladesh to reconsider the decision, according to Selim RF Hussain, managing director of Brac Bank.

Brac Bank is among the top 5 players in Bangladesh's credit card market with about 1 lakh cards.

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Sonia Bashir Kabir, managing director of Microsoft Bangladesh, and Mahboob Zaman, managing director of DataSoft System Bangladesh, attend the 'Bangladesh Innovation Conclave', presented by Microsoft in association with The Daily Star, Beximco Pharmaceuticals and SSD-Tech at Le Méridien hotel in Dhaka yesterday.

## Raise investment in PPP projects: expert



Syed Afsor H Uddin, CEO of the PPP Office, speaks at a discussion on PPP investment challenges at Lakeshore Hotel in Dhaka yesterday.

STAR BUSINESS REPORT

Bangladesh needs to raise investment in public-private partnership (PPP) projects to \$12.5 billion a year from \$3.5 billion now to overcome the challenges in construction of mega infrastructure, said the chief executive of the PPP Office yesterday.

Countries like Canada, the UK, the Philippines and India have taken a long time to make PPP projects a success, the official added.

"Bangladesh has progressed much to develop sustained PPP projects," said Syed Afsor H Uddin, CEO of the PPP Office, at its 3rd round of discussion on PPP investment challenges at Lakeshore Hotel in Dhaka.

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## NBR still prefers uniform VAT rate

STAR BUSINESS REPORT

The tax administration prefers a single and uniform value added tax rate to bring discipline in the system and avoid complexity, said a member of the National Board of Revenue.

The new VAT law, scheduled to be effective from July 1, has incorporated a single VAT rate of 15 percent.

"We would prefer a single rate, not multiple rates of VAT," said Jahangir Hossain, VAT policy member of the NBR.

He said multiple rates would be complex to keep accounting under digitized system. It would be difficult to reap the actual benefit of the new VAT law.

He made the comments at a meeting with the business editors of print and electronic media at the Institute of Diploma Engineers Bangladesh in the capital.

The NBR arranged the meeting to exchange views on the new VAT and Supplementary Duty Act-2012. NBR Chairman Md Nojibur Rahman chaired the discussion.

Jahangir said the NBR is confident that the new law would not cause any price escalation as it has provided exemption to some essential items.

Zakir Hossain, deputy director of the

VAT Online Project of the NBR, said the maximum retail price (MRP) would be the selling price of products that would reduce the VAT incidence to 13.04 percent from 15 percent. There will be no truncated or tariff value in the new law.

Currently, 15 services are enjoying truncated value and 70 products tariff value. Due to the absence of an effective rebate system, VAT rate is high on those products and services under the existing law. Despite the uniform rate in the new law, the VAT rate will be lower because of the automated rebate system, according to the NBR.

The proper rebate system will keep the net VAT burden lower, said Nojibur Rahman. Jahangir said there would be no inflationary pressure due to implementation of the new law. Businessmen would get tax credit easily with the automated system.

Seven major sectors, including basic foods, medicines, agriculture products, and life saving drugs, would get VAT exemption under the new law.

Rezaul Hassan, project director of the VAT Online Project, said the consumers are the VAT-payers who are not raising any complain about the new law.

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## Bangladesh can spearhead digital innovation: analysts

STAR BUSINESS REPORT

Innovation is key to ensuring digital economy and innovative nations will lead the world in the digital era where Bangladesh has a fair chance, speakers at a daylong summit said yesterday.

Local and international experts and

leaders of different sectors shared their knowledge and experiences in the 'Bangladesh Innovation Conclave', presented by Microsoft in association with The Daily Star, Beximco Pharmaceuticals Limited and SSD-Tech at Le Méridien hotel in the capital.

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## Regent starts Doha flights

STAR BUSINESS REPORT

Regent Airways, the country's one of the top private carriers, has begun flights from Dhaka to Doha, the capital of Qatar.

The inaugural flight, a 167-seat Boeing 737-800, departed Hazrat Shahjalal International Airport around 10:45pm on Friday and reached Hamad International Airport in Doha around 1:45am local time the next day.

The flight, which has eight business class and 159 economy class seats, was greeted with water cannon salutes at the airport, said the private carrier in a statement.

Ashud Ahmed, Bangladesh's ambassador to Qatar, received the passengers.

Initially, Regent Airways would operate flights on the new route four days a week.

Regent Airways Chairman Yasin Ali inaugurated the new route at the VIP lounge of the Hazrat Shahjalal International Airport.

Regent Airways Chief Executive Officer M Fazle Akbar, Adviser Ashish Roy Chowdhury, Deputy Managing Director Salman Habib, and Chief Commercial Officer Akhtar U Ahmed were also present.

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