

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
▼ 0.25%	▼ 0.17%	\$1,274.30	\$48.38	▼ 0.19%	▼ 0.38%	▲ 0.20%	▲ 0.34%	BUY TK 79.85	88.93	102.66	0.71
5,475.74	10,280.20	(per ounce)	(per barrel)	31,213.36	19,909.26	3,237.05	3,150.93	SELL TK 81.35	92.53	106.26	0.75



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# star BUSINESS

DHAKA FRIDAY JUNE 9, 2017, JAISHTHA 26, 1424 BS

## FDI yet to pick up despite govt efforts

STAR BUSINESS REPORT

The inflow of foreign direct investment to Bangladesh crept up 4.4 percent in 2016 from a year earlier despite the government's many efforts to attract funds from abroad.

Some less developed African nations like Ethiopia and Angola received more FDI than Bangladesh, according to the World Investment Report 2017 of the United Nations Conference on Trade and Development.

In 2016, some \$2.33 billion of FDI flew into Bangladesh, which is only 4 percent of the total FDI inflows to South Asia and just 0.1 percent of global flows.

India got 82 percent of the FDI to South Asia: of \$44 billion, which is the same amount as in 2015.

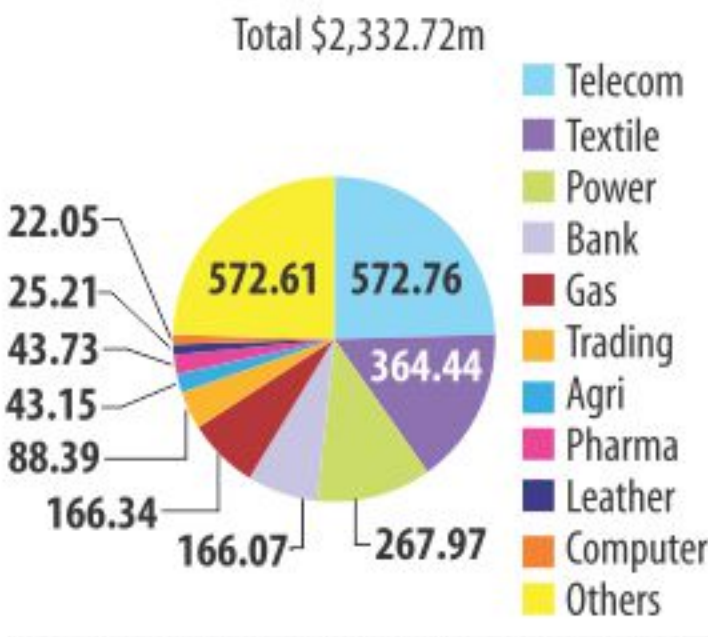
The reason for the neighbouring country's large FDI inflow is cross-border merger and acquisition deals, which have become important for foreign multinational enterprises to enter into the rapidly-growing Indian market.

Pakistan's inflows soared 56 percent in 2016 primarily due to investment in infrastructure from China for its One Belt, One Road initiative, the report said.

Apart from Chinese investment, Pakistan received big sums from the Middle East.

However, a troubled Pakistan is not a preferred destination for investment, said Ahsan H Mansur,

SECTOR-WISE FDI INFLOWS IN 2016



SOURCE: WORLD INVESTMENT REPORT 2016

executive director of Policy Research Institute, while presenting the key findings of the report at a programme yesterday.

"The OBOR initiative also provides an opportunity for Bangladesh to accelerate FDI inflows, if we can take advantage of the offers coming from the last year visit of the Chinese president."

The US remained the world's largest outward investing country in 2016, with outflow of \$299 billion, followed by China at \$183 billion and the Netherlands \$174 billion.

The rise of China to the second spot is a particularly noteworthy phenomenon, the report said.

For Bangladesh, the most important source of FDI continues to be reinvestment earnings.

This means the foreign companies already operating in Bangladesh feels comfortable enough to reinvest their

profits for expansion of their existing operations, Mansur said.

Equity capital is the second most important component of FDI, which, despite some volatility, has been increasing in recent years. In 2016, it soared 30 percent to \$911 million.

Intra-company loans are also increasing in recent years, although such flows have been volatile and remained in the range between \$200 million and \$300 million.

The telecommunication has received the highest amount of FDI, followed by power and gas in 2016.

In telecom, there was a large injection of capital by Singapore Telecom to enhance the capital base of Bharati Airtel in Bangladesh.

In future, Bangladesh should focus on attracting state-owned FDI from China as such investment is also a lucrative one for the FDI-receiving nations, Mansur said.

He called for more engagement with regional trade blocs for more FDI in Bangladesh.

Globally, after a strong rise in 2015, FDI flows lost growth momentum in 2016, indicating that the road to worldwide economic recovery would not be smooth, the UNCTAD report said.

In 2016, global FDI flows slipped 2 percent to \$1.75 trillion owing to weak economic growth and significant policy risks, as perceived by multinational enterprises.

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## EBL to open two branches in India

STAR BUSINESS REPORT

Eastern Bank is set to spread its wings to neighbouring India, the second Bangladeshi private bank to do so.

The local bank will open a branch each in Kolkata and Guwahati, it said in a posting on the Dhaka Stock Exchange website yesterday.

EBL has enlisted PricewaterhouseCoopers' Kolkata office to assist in getting the required licence from the Reserve Bank of India, an official told The Daily Star.

AB Bank Limited opened its first full-fledged overseas branch in Mumbai in 1996, while state-owned Sonali Bank has a branch in Kolkata.

EBL has 82 branches in Bangladesh and three representative offices in China, Myanmar and Hong Kong.

Each share of EBL traded at Tk 32.1 on the Dhaka bourse yesterday. In 2016, the bank gave 20 percent cash and 5 percent stock dividends to its shareholders.

EBL won the prestigious Bangladesh Business Awards 2010 that is jointly organised by The Daily Star and DHL Express.

## Tax measures will add to worries

*Says consumer association*

STAR BUSINESS REPORT

The proposed tax measures for 2017-18 have created worries among the masses as they fear a huge rise in the cost of living, the Consumers Association of Bangladesh said yesterday.

People have been suffering from some sort of restlessness after the budget, Ghulam Rahman, CAB president, said at a programme organised by the VAT Online Project of the National Board of Revenue in Dhaka.

"It is feared that the prices of goods and services will rise and will fuel the cost of living with the new VAT in place."

The platform of consumers demanded that the value added taxes on government utility services be waived, as many people will be affected because of the rising prices of gas, electricity and water.

The water tariff was hiked by 22 percent last year although many people still do not get the utility service, Rahman said.

The government has also increased the price of gas, he said. "Now, it will be unfortunate if the cost of electricity increases because of the 15 percent VAT."

Rahman also criticised the government's plan to increase excise duty on debit or credit balances in bank accounts.

He wanted to know whether the real values of deposits are rising with the interest rates on savings falling below the inflation rate.

He said looting is going on in banks. The government remains silent about the board of directors of different banks who are creating problems in the sector. "Is it

acceptable?"

"We have peace in mind and want to lead a decent life. We do not want development at the cost of sleepless nights."

Until now, the revenue authority collects 5 percent VAT from people on electricity bills under the VAT Act 1991, which is going to be replaced by the VAT and Supplementary Duty Act 2012 on July 1.

The government now wants to do away with the multiple or reduced rates of VAT applied on more than 100 goods and services. The new VAT will increase the prices of various items of daily necessities such as electricity, processed spices, household plastic goods, biscuits and paper.

Prices of construction materials like iron rods and bricks are also going to rise.

The NBR said it has exempted primary and many essential commodities from VAT so that the financially insolvent and low-income groups do not suffer from it.

"We have seen that many irrelevant products have been exempted from VAT. This has raised many questions," Rahman said.

He doubted whether the VAT paid by the consumers will go to the state exchequer properly.

"Many traders do not deposit the VAT collected from consumers. We are in doubt about how much of the VAT will go to the state coffers after the imposition of the 15 percent VAT. The consumers will be affected."

Shamsul Alam, an adviser of CAB, said economic activities rise and people become benefited if prices of universal inputs such as gas, electricity, water and petroleum remain low.

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## Businesses not ready for new VAT system: analysts

STAR BUSINESS REPORT

Businesses are yet to fully understand the new VAT system and the implementation of the law even though only three weeks remain for the legislation to come into effect, said analysts yesterday.

The observation came at a roundtable jointly organised by the Institute of Chartered Accountants of Bangladesh and Bangla daily Prothom Alo at the newspaper's office in the capital.

Muhammad Farhad Hossain, a former president of ICAB, said Bangladesh's tax rate is much higher than its neighbouring countries.

"It is important to consider whether the businesses are ready to comply with the VAT law," said Kamrul Islam, vice-president of Dhaka Chamber of Commerce and Industry.

He said the prices of commodities will rise if the businesses cannot maintain records properly, but the flipside is also true.

Islam said the National Board of Revenue's (NBR) claim of training two lakh businesses on online VAT payment is not true. "The number may not be over 20,000," he added.

The VAT law is not at all easy to understand, said Abu Naser, a director of the Federation of Bangladesh Chambers of Commerce and Industry.

"It is not possible for a person to run a



MA Mannan, state minister for finance and planning, attends a roundtable on the national budget for 2017-18 jointly organised by the Institute of Chartered Accountants of Bangladesh and Prothom Alo, a Bangla daily, at the latter's office in Dhaka yesterday.

business if he has to become a chartered accountant to understand the new VAT."

The businesses' demand of multiple rates was not considered, he said.

As a result, the prices of construction materials such as rod have already started rising following the announcement of application of uniform 15 percent VAT from July 1, Naser added.

State Minister for Finance and Planning MA Mannan, who attended the event, acknowledged that there is a lack in preparation from the government side.

"More training is needed. We are not fully prepared for the new VAT system yet. But we have to start from some point. We need to organise more training sessions to implement the law properly," he added.

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## New VAT rate to push up LP gas price

STAR BUSINESS REPORT

The hike in VAT rates will push up LP gas prices by Tk 54 to Tk 300 per cylinder depending on the size of the cylinders, operators said.

Presently, the VAT on liquefied petroleum gas (LPG), which is rapidly becoming popular as cooking gas across the country, is determined on the basis of tariff value.

The tariff value-based VAT will be replaced by the 15 percent unified rate from July 1 when the new fiscal year begins.

The VAT will increase to nearly Tk 54 for cylinder of 5kg-10kg from just Tk 5.27 now, Tk 124 for 11kg-30kg cylinder from Tk 9, and Tk 298 from Tk 19 for cylinders of 31kg-45kg.

So, an average family with four to five members will have to spend at least Tk 400 additionally to meet their monthly demand for cooking gas.



Amid this situation, LPG operators have urged the government to withdraw 15 percent VAT on the energy as the new law would increase the tax by manifold, thus increasing the overall price of the product.

The LPG Operators Association of Bangladesh sent a letter, signed by its President Salman F Rahman, to Finance Minister AMA Muhith yesterday.

The usage of LPG is growing day by day at households and small industries because of fast-depleting reserves of natural gas.

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## Islamic banking growing rapidly

*It has 20pc market share, needs a complete law: BIBM*

STAR BUSINESS REPORT

Islamic banking is growing rapidly in Bangladesh with a market share of about 20 percent, though the country does not have a full-fledged law for the sector, according to a research.

"Islamic banking is profitable from all aspects," said the research paper of the Bangladesh Institute of Bank Management (BIBM).

The paper was shared at a workshop on 'Islamic banking operations of banks' at the institute in Dhaka.

The research showed that the net profit margin for conventional banks was 1.9 percent in 2016 against 3.6 percent for Islamic banking.

Similarly, incomes against all assets were 5.5 percent for general banking and 7.3 percent for Islamic banking.

The default rate on loans is also low in Islamic banking. The default rate on loans for general banking was 9.2 percent, but it was 4.3 percent for sharia-based banking.

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## Tk 13,372cr whitened since 1971

*Muhith tells parliament*

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday told parliament that black money worth Tk 13,372 crore has been whitened since the country's independence, generating Tk 1,454 crore as tax.

BLACK MONEY WHITENED SO FAR	
1971-1975	Tk 2.25cr
1976-1980	Tk 50.76cr
1981-1990	Tk 45.89cr
1991-1996	Tk 150.79cr
1997-2000	Tk 950.41cr
2001-2006	Tk 827.74cr
2007-2009	Tk 9,682.99cr
2009-2013	Tk 1,805.01cr
2013-till date	Tk 856.30cr

BANK BRANCHES INCURRING LOSSES	
Sonali Bank	290 out of 1,208
Krishi Bank	230 out of 1,031
Rajshahi Krishi Unnayan Bank	168 out of 379
Rupali Bank	126 out of 558
Agrani Bank	99 out of 935
Janata Bank	74 out of 909
BASIC Bank	28 out of 68
Bangladesh Development Bank	25 out of 39

Replying to scripted questions, he said 1,040 out of 5,127 branches of eight state-owned commercial and specialised banks incurred losses last year, according to data as of June 30, 2016.

Muhith said, till Tuesday, around 15.52 lakh people or organisations

paid income tax for fiscal 2016-17. There are 29.03 lakh tax identification number (TIN) holders in the country, he added.

The income tax collection target for the upcoming fiscal year is Tk 87,190 crore, said Muhith.

State Minister for Telecom Tarana Halim also told parliament that Bangladesh Telecommunications Company Limited (BTCL) has connected 1,200 unions to a fibre-optic network as part of ensuring broadband internet across the country.

She said a project to connect another 1,000 unions would be implemented by the Information and Communication Technology (ICT) division, as decided at a meeting of Domestic Network Committee.

The ICT division is also taking initiatives to connect chars, areas surrounded by rivers and canals and remote areas, she added.



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