



BUSINESS

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Remittance lowest in six years

STAR BUSINESS REPORT

Remittance inflow in fiscal 2016-17 has been the lowest in six years – a development that can be viewed as a dark cloud over an otherwise buoyant economy.

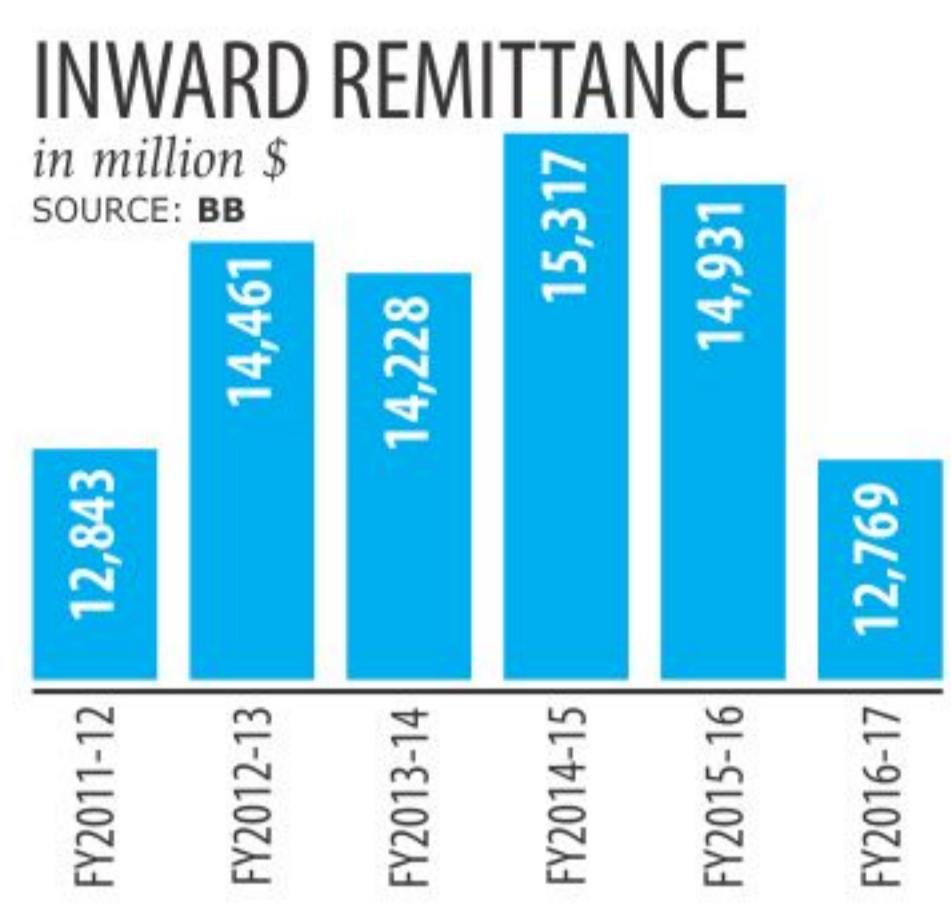
Migrant workers sent home \$12.77 billion last fiscal year, down 14.47 percent year-on-year, according to data from the central bank.

Remittance is a major source of foreign currency for Bangladesh and the declining trend since fiscal 2015-16 has progressively become a matter of concern for the government.

The inflows were lower every month save for May last fiscal year. In June, \$1.21 billion flew in, down 17 percent from a year earlier.

The International Monetary Fund last month cited the declining remittance as a risk factor to the economy.

Over the last 10 years, remittances



accounted for 8.5 percent of the country's gross domestic product on average, close to eight times the foreign direct investment flow into Bangladesh, according to the IMF.

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Banks' operating profits improve

STAR BUSINESS REPORT

Banks have made hefty operating profits in the first six months of 2017, despite excess liquidity and falling lending rates.

Bankers attributed the healthy profit to the diversified business policies and political stability in the country.

Operating profits mean a bank's gross profit less operating expenses before deduction of interest and taxes.

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Govt urges banks to provide Tk 20,000cr for power projects

STAR BUSINESS REPORT

The government has urged banks to channel Tk 20,000 crore into the power sector over the next six months to fast-track quick rental power plant projects.

The request was made at a meeting on June 21 between the power division and top executives of banks.

"Banks are sitting on huge excess liquidity and the power sector is a big opportunity for them to invest in," said Nasrul Hamid, state minister for the ministry of power, energy and mineral resources.

At present, the banking sector has excess liquidity of about Tk 100,000 crore, according to data from the central bank.

Besides, investment in private sector power plants is secured as all the projects have purchasing agreements with the government.

"That is like government guarantee against the loans," he said, adding that the returns from power sector investment will be higher than other sectors.

Several managing directors and chief executive officers of banks have acknowledged the request from the power division.

Banks will oblige to the request of the power division as the country needs to address the electricity shortage, said Iftihaque Ahmed Chowdhury, managing director of Trust Bank.

"There was no pressure from the government," said Ataur Rahman Prodhan, managing director of Rupali Bank, adding that banks can easily arrange the funds for the fast-track projects as they have excess liquidity.

If the projects are viable it will be a good investment opportunity for banks, he added.

"The power sector already has our attention," said Mohammed Nurul Amin, managing director of Meghna Bank.

The meeting was just to motivate banks to direct funds to the power sector, said MA Halim Chowdhury, managing director of Pubali Bank, adding that it is not mandatory for banks to do so.

The government is also planning to issue a bond for the power sector, according to Hamid, the state minister.

Some 15 power plants with a total generation capacity of 2,000 megawatts will be established by January next year to address power shortage.

At present, Bangladesh's installed electricity generation capacity is 15,379 megawatts, according to the Bangladesh Power Development Board. Actual generation averages 7,500MW per day.

Accord's extension unexpected: Tofail

STAR BUSINESS REPORT

The extension of the Accord on Fire and Building Safety in Bangladesh by three more years was unexpected as the decision was taken unilaterally by the trade unions, retailers and global brands, Commerce Minister Tofail Ahmed said yesterday.

"The signatories could have discussed (it) with the stakeholders before taking such an important decision," Ahmed told journalists at his secretariat office in Dhaka after a meeting with garment manufacturers and top diplomats.

The accord's signatories could have sent a proposal to the government, he said. "I asked the diplomats to send the extension of the accord as a proposal. We will discuss the proposal and then take the decision," said Ahmed.

The diplomats included US Ambassador Marcia Bernicat, Canadian High Commissioner Benoit-Pierre Laramée and EU Ambassador Pierre Mayaudon. They declined to comment.

Federation of Bangladesh Chambers of Commerce and Industry President Shafiq Islam Mohiuddin, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President

Siddiqur Rahman and Mohammadi Group Managing Director Rubana Huq attended the meeting.

The five-year Accord was signed in May 2013. It is a legally binding agreement for over 200 European retailers and brands along with the unions to inspect, remediate and monitor aspects related to structural, fire and electrical safety in 1,800 garment factories.

The extension came at the OECD Global Forum on Responsible Business Conduct in Paris on June 30. It features additional commitments to ensure workers' right to freedom of association.

"The extension...is unilateral. The signatories should have discussed (it) with us," Rahman said.

Huq said the extension took them by surprise. "The government is also not aware of the extension."

The decision of the extension should be taken in collaboration with others, she said.

Local factory owners say proper implementation of the amended labour law would protect workers' rights and local union leaders would play a vital role in formation of trade unions at factory level and in ensuring

freedom of association.

They called for strengthening of the Department of Inspection for Factories and Establishments and the Remediation Coordination Cell (RCC) for fortifying workplace safety and better labour rights.

"We were truly hopeful that all parties would unitedly work together and bring about positive changes to the sector," BGMEA said in a reply to a mail of the Accord's steering committee. The Daily Star obtained a copy of the reply.

"Therefore, the news of a version 2 of Accord (content of which was completely unknown to us) comes as a surprise and may undermine our level of collaboration," it said.

The garment makers platform duly recognises the enormous contribution of Accord and Alliance in the industry during the remediation phase.

"Thus, today, we look forward to duly working with you as an important stakeholder in your journey in Bangladesh. But we also strongly believe that this journey cannot be yours or ours alone and that it must be collaborative, trusted and respectful."

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BB updates SME terms

STAR BUSINESS REPORT

Bangladesh Bank (BB) has updated its definition of micro, cottage, small and medium enterprises in line with the National Industrial Policy 2016 and set a limit to the amount of credit they can avail.

Moreover, banks must set aside for SMEs 20 percent of the loans they give out in 2017 and raise it to 25 percent by 2021. Of that for SMEs, at least 50 percent has to be kept for cottage, micro and small enterprises, said a circular published on Thursday.

"Overall, priority should be given to lending to small enterprises compared to medium enterprises," the BB said.

BB's January 2016 circular had called for a minimum 30 percent SME lending to manufacturing sector, 15 percent for service sector and a maximum 55 percent for trading.

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NEW CLASSIFICATION OF SMEs

ENTERPRISE	FIXED ASSETS excluding land and buildings	EMPLOYEES	LOAN LIMIT
MICRO	Tk 10 lakh- Tk 75 lakh (Manufacturing)	16-30 or less	Tk 1cr
	Less than Tk 10 lakh (Service)	15 max	Tk 25 lakh
COTTAGE	Less than Tk 10 lakh	15 max	Tk 10 lakh
	Tk 75 lakh-Tk 15cr (Manufacturing)	31-120	Tk 20 cr
SMALL	Tk 10 lakh-Tk 2cr (Service)	16-50	Tk 5cr
	Tk 15 crore-Tk 50cr (Manufacturing)	121-300 (Garments 1,000 min)	Tk 75cr
MEDIUM	Tk 2 crore-Tk 30cr (Service)	51-120	Tk 50cr
	Less than Tk 10 lakh (Micro Enterprise)	15 max	Tk 25 lakh
TRADING SECTOR	Tk 10 lakh-Tk 2cr (Small Industry)	16-50	Tk 5cr

Japan to provide \$1.59b this year

Interest rate to rise as Bangladesh is now a lower-middle income country

REJAUL KARIM BYRON

Japan, Bangladesh's largest bilateral lender, is set to provide \$1.59 billion in loans this fiscal year but the interest rate will be increased and repayment period reduced in light of the country's graduation to the lower middle-income bracket.

An agreement was signed last week between the Japan International Cooperation Agency (Jica) and Economic Relations Division to provide 178.223 billion yen (about \$1.59 billion) for six projects. Japan provided 173 billion yen in loans to Bangladesh last fiscal year.

The interest rate on the new loan would be 0.70 percent and the repayment period would be 30 years with a grace period of 10 years.

Previously, the interest rate was 0.01 percent and the repayment period 40 years with a grace period 10 years.

The interest rate on Japanese loans is still lower than the World Bank and the Asian Development Bank's loans.

Bangladesh has graduated to the lower middle-income bracket according to the World Bank's classification: its per capita income reached \$1,080 in 2014, which is higher than the lower middle-income threshold of \$1,046.

In fiscal 2016-17, Bangladesh's per capita income crossed the \$1,600 mark.

"That's why the rate of interest has been increased slightly," said a finance ministry official, adding that Bangladesh was not singled out. Japan follows the same policy worldwide.

Japan has been providing more than

\$1.5 billion as development assistance each year for the past couple of years.

As of now, it has already made commitments to finance a number of large infrastructure projects in Bangladesh.

In a statement JICA said it will continue to support efforts in Bangladesh to address challenges to overcome social vulnerability and further economic growth such that the country can achieve the middle-income status by 2021.

Bangladesh has continued to grow at an average pace of 6 percent per annum due to the development of sewing and other garment-related industries, it said.

However, compared with its rapid economic growth and urbanisation, the infrastructure in Bangladesh, including the transport network and the power supply, is still at an early stage.

As such, the formulation of a business environment has emerged as an urgent issue.

Also, Bangladesh is vulnerable to natural disasters such as cyclones and floods and there is a critical need to take measures against them, the statement added.

The six projects are: Hazrat Shahjalal International Airport expansion (77 billion yen); Kanchpur, Meghna and Gumti 2nd bridges construction and existing bridges rehabilitation (53 billion yen); Dhaka Mass Rapid Transit development (5.593 billion yen); Matarbari ultra-supercritical coal-fired power plant (11 billion yen); Dhaka underground substation construction (20 billion yen); and small-scale water resources development (12 billion yen).

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