

BB steps in to arrest rising interest rate

AKM ZAMIR UDDIN

The Bangladesh Bank yesterday took a number of initiatives to rein in the rising interest rate that is creating unwanted pressure on borrowers and businesses.

For instance, banks will not be able to change the interest rate on loans if the credit agreement mentions fixed interest rate.

The interest rate can be changed if the loan agreement states floating or flexible rates. But no bank will be permitted to increase the flexible lending rate more than once a year.

Banks will have to give notice to borrowers at least three months before increasing the lending rate. They can increase the rate by a maximum of 0.05 percent for term loans and 1 percent for working capital and other loans in a year.

In another notice yesterday, the central bank asked banks to maintain the interest rate spread,

NEW BB DIRECTIVES

Banks can't change lending rate if interest rate is stated fixed

Banks can't increase flexible lending rate more than once a year

They must notify borrowers at least 3 months before increasing rate

Banks will reduce interest rate spread to 4pc

the gap between the interest rates for credit and deposit, within 4 percent, down from the previous ceiling of 5 percent. The central bank said banks were frequently increasing the interest rate on their different credit products, which created a horrible situation in the banking sector.

The latest lower ceiling of the interest rate spread

will stop banks from raising the interest rate.

The central bank also said that some banks had recently increased the interest rate illogically on loans that were disbursed earlier considering the rising trend of rate in the global and the local market. Such rate hike will create an unexpected pressure on borrowers, impact their loan repayment capability and have an adverse impact on their investment and production decisions.

The latest moves are expected to bring credit discipline in the banking sector and insulate it from fresh loan defaults, according to the BB.

The rising trend of lending rate will be arrested because of the central bank's latest initiative, said Syed Mahbubur Rahman, chairman of the Association of Bankers Bangladesh, a forum of private banks' chief executive officers.

"With this policy, banks will not be able to increase the rate as they wish," said Rahman, also the managing director of Dhaka Bank.

High registration costs keep flat buyers at bay

STAR BUSINESS REPORT

Parvez Ahmed, a senior official at a state-owned bank, bought a 1,200 square feet flat for Tk 1 crore in the capital's Mohammadpur area.

He took staff loan of Tk 80 lakh and managed the remaining Tk 20 lakh himself to purchase the flat.

It has been six months now and he is yet to register the flat in his name as he will have to foot another Tk 16 lakh for it.

The registration cost of 16 to 17 percent of flat value is too high for buyers, said Liakat Ali Bhuiyan, first vice-president of the Real Estate and Housing Association of Bangladesh (REHAB).

"In fact, the high registration cost is a major factor hindering flat sales," he said, adding that the registration costs are the

same for brand new and second-hand flats.

On the other hand, many disputes are arising between buyers and sellers due to not registering the property on time, he said, adding that the government is losing out on revenue for the buyers' reluctance in registering the property.

Builders have long been demanding cuts in the registration cost to make the housing market more vibrant.

REHAB in its pre-budget proposal for fiscal 2018-19 demanded a slash in registration cost to 7 percent from existing 14 to 16 percent.

The registration cost includes: 4 percent gain tax, 3 percent stamp fee, 2 percent registration fee, 2 percent local government tax and 3 percent VAT.



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NBR seeks FBCCI's help to boost collection

STAR BUSINESS REPORT

The revenue authority yesterday sought the apex trade body's help in collecting value-added tax from retailers and wholesalers.

The move comes as collection of VAT from wholesale and retail nosedived for a lack of compliance.

In a letter to the Federation of Bangladesh Chambers of Commerce and Industry, the National Board of Revenue said VAT receipts from the segment stood at Tk 1,175 crore in the first eight months of the fiscal year.

In fiscal 2016-17, Tk 1,891 crore was collected from the segment, down 20 percent from a year earlier, according to the NBR.

"And collection is falling gradually," said Hasan Mohammad Tarek Rikabder,

first secretary for VAT policy at the NBR, in the letter requesting cooperation from business leaders to reverse the trend.

Officials said collection began falling after many traders became noncompliant in the wake of a sharp hike in package or fixed amount of VAT by the NBR in fiscal 2016-17.

The revenue authority doubled the package VAT amount for shops in Dhaka North, South and Chittagong city corporations to Tk 28,000 a year in fiscal 2016-17 from Tk 14,000 the previous year.

For shops in other city corporation areas, the rate has also been doubled to Tk 20,000. The shops in municipalities were not spared either. The fixed VAT amount was doubled to Tk 7,000 for them from last fiscal year.

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Consortium led by Unique Hotel to set up 600MW power plant

STAR BUSINESS REPORT

A consortium led by Unique Hotel & Resorts will set up a 600 megawatt power plant based on gas or regasified liquefied natural gas (RLNG) at Meghnaghat of Narayanganj.

The cabinet committee on purchase yesterday gave go-ahead to the proposal of the consortium which will run the plant for 22 years on build-own-operate basis.

The other two members of the consortium are: Guayama PR Holdings BV and Strategic Finance Ltd.

The committee took the decision at its meeting chaired by Finance Minister AMA Muhith.

If gas is used in electricity production, per kilowatt/hour (kW/h) of power will cost 3.6923 cents or Tk 2.9538 while the tariff will hit 6.8098 cents or Tk 5.4478 if RLNG is used.

The company will set up necessary transmission lines and sub-stations at its own cost.

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Training boosts garment workers' productivity: study

STAR BUSINESS REPORT

The garment factories that have trained workers have seen a productivity rise by 5 percent, according to a survey of the International Finance Corporation released yesterday.

The trained female operators of the factories were also promoted to the posts of supervisors for their efficiency gained from the trainings, it showed.

The study report -- Cutting through the Cloth Ceiling -- prepared by the IFC in collaboration with the Japanese government was released at a discussion at Radisson Blu Dhaka Water Garden.

The IFC trained 144 female sewing operators and their mid-level managers in 28 factories in collaboration with Better Work Bangladesh and the Innovations for Poverty Action in 2016-17.

Out of the 144 trainees who completed

the programme, 92 were offered a promotion with an increase in salary within weeks of completing the training and 60 percent of them have accepted the offer, said the study.

Everybody received two months' training. The IFC provided the Work-Progression and Productivity Toolkit (WPT) to female sewing operators with five days of classroom training in the technical skills required to supervise a production line.

They were also given four days' of soft skills training on leadership, communications, and how to be an effective supervisor. The trainees had to put the lessons to use during an eight-week on-the-job training.

"The trainees were promoted to line supervisors and line assistant supervisors," said Anaise Williams of the University of Oxford who along with her colleague Prof Christopher Woodruff led the study.

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Mominul Islam, CEO of IPDC Finance, speaks at a press conference at The Daily Star Centre in Dhaka yesterday. Naquib Khan, second from right, president of Bangladesh Supply Chain Management Society, and Shahedul Anam Khan, second from left, associate editor of The Daily Star, were also present.

Supply chain award launched

STAR BUSINESS REPORT

Bangladesh should focus on improving infrastructure to ensure an uninterrupted supply chain capable of smoothly delivering goods to customers at reduced prices and of cutting business costs, speakers told an award launching yesterday.

"If there is any missing link in the supply chain, productivity and sales are lost. As a result, companies as well as consumers suffer," said Naquib Khan, president of the Bangladesh Supply Chain Management Society (BSCMS).

IPDC Finance Ltd, the first private financial institution of Bangladesh, and the BSCMS jointly announced launching "Bangladesh Supply Chain Excellence Award (BSCEA) 2018"

with The Daily Star as a partner at The Daily Star Centre in Dhaka.

A supply chain is a network between a company and its suppliers to produce and distribute a specific product or service so that it easily reaches customers.

"Roads, highways and ports are essentials to facilitate smooth movement of goods across the country," said Khan, also the director for corporate affairs of Nestle Bangladesh Ltd.

He said lack of infrastructure such as a deep sea port, congestion in the Chittagong port and the bad shape of the Dhaka-Chittagong highway obstruct the flow of goods and services, creating mismanagement in the supply chain system.

Mominul Islam, CEO of IPDC

Finance, said following the emergence of e-commerce, supply chain management has become the most important component of business.

"If you do not deliver goods and services to customers in the shortest possible time as per their demand, you will lose the entire business," he said.

He said Bangladesh is on its way to become a developing nation, for which low cost labour would no longer be available. "We should focus on supply chain management to cut business costs," he added.

Shahedul Anam Khan, associate editor of The Daily Star, said supply chains played an immensely important role in a country's economic development.

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