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BB unveils a cautiously optimistic monetary policy

Focuses on bringing down default loans

STAR BUSINESS REPORT

The central bank yesterday unveiled a cautiously optimistic monetary policy for the second half of the fiscal year, keeping room to provide adequate supply of quality credit to support the growth and inflation targets.

The private sector credit growth ceiling has been brought down 30 basis points to 16.50 percent, which is sufficient to generate a 7.80 GDP growth desired by the government for this fiscal year. However, in December 2018 private sector credit growth stood at 13.30 percent, which is lower than the ceiling of 16.80 percent.

Bangladesh Bank Governor Fazle Kabir expressed hope that investment would pick up in the second half of the fiscal year as the parliamentary elections have concluded without giving any trouble to the productive sectors.

The central bank has increased the public sector credit growth ceiling to 10.9 percent for the second half of the fiscal year from its previ-



Bangladesh Bank Governor Fazle Kabir speaks at a press conference while unveiling the monetary policy statement at the central bank's head office in Dhaka yesterday.

ous projection of 8.5 percent considering the uptick in the first half.

In recent years, public sector credit growth remained negative as the government met most of its borrowing requirements from savings tools.

But from the first half of this fiscal year, growth picked up and exceeded 13 percent in December last year as the government ramped up the pace of expenditure, with emphasis on

improving project implementation.

"Heavy reliance on non-market instruments like national savings certificates significantly reduces the two-way flexibility of interest rates and complicates the monetary policy transmission channels," according to the monetary policy statement.

The rate of interest on savings certificates is about 12 percent, in contrast to 6 to 7 percent offered by banks on their deposit products.

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91pc family businesses expect to grow in 2yrs

PwC survey finds

STAR BUSINESS DESK

About 91 percent of family businesses in Bangladesh, mostly run by first generation entrepreneurs, expect to grow in the next two years as many of them posted double-digit growth last year, PricewaterhouseCoopers (PwC) finds in a survey.

"This optimistic perspective is grounded by two broad factors: the general resilience and stability of a family-run business in adverse conditions and the sustained growth of the Bangladeshi economy, especially on the domestic side."

The family businesses in Bangladesh do not just expect to grow. The growth is expected to change some fundamental characteristics of the firm. Significantly, 75 percent of the family business owners are seeking professionals outside the family to help them run their businesses, it said.

The businesses also plan to pass the baton to their next generation but only 31 percent of them have an informal succession plan in place.

Although women constitute 25 percent of board members in the family-run businesses, it is 14 percent in the management team, according to the first survey on family businesses in Bangladesh conducted by the multinational professional services network.

Only 34 percent of the family businesses have a strategic mid-term plan in place, it said.

"Family businesses have played a key role

PwC Bangladesh Family Business Survey

- 84%** of family businesses in Bangladesh saw growth in the last financial year
- 91%** plan to pass on management and/or ownership to the next generation
- 66%** of family businesses cite accessing skills and capabilities as one of the crucial challenges to operations
- 97%** of family businesses say they have a clear sense of agreed values
- Only **31%** of family businesses have an informal succession plan in place
- Only **34%** say they have a costed, formalised and documented mid-term plan; **16%** have no plans at all

in nation building, employment generation and wealth creation in Bangladesh," said Mamun Rashid, managing partner of PwC Bangladesh, at the launch of the survey findings at a programme in Dhaka yesterday.

"These businesses have also been instrumental in driving foreign investments into the country. It is crucial that these organisations have a structured succession plan in place to ensure continued growth and help sustain the heightened entrepreneurial activity in the country."

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ILLICIT FINANCIAL OUTFLOWS GFI figure questioned

STAR BUSINESS REPORT

The central bank has questioned the amount siphoned out of Bangladesh as the Global Financial Integrity (GFI) gave two different estimates in its latest report.

Some \$5.9 billion was siphoned out of Bangladesh in 2015 through trade misinvoicing, according to the GFI's report on illicit flows of money released on Monday.

Trade misinvoicing is a method of moving illicit financial flows figures, and includes the deliberate misrepresentation of the value of imports or exports in order to evade customs duties and VAT taxes, launder the proceeds of criminal activity or to hide offshore the proceeds of legitimate trade transactions, among other motivations.

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Smartphone import plummets 21pc

Hike in duties to blame: importers

MUHAMMAD ZAHIDUL ISLAM

Smartphone imports through the legal channel declined for the first time last year as the government's move to hike import duties to 32 percent last fiscal year appear to have sent illegal imports soaring.

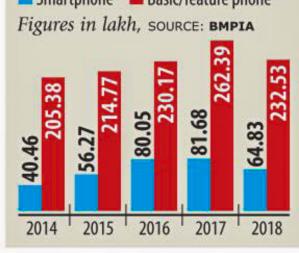
In 2018, 64.83 lakh units of smartphones were imported, down about 21 percent year-on-year, according to the Bangladesh Mobile Phone Importers Association. Feature phone imports also dropped: by 11 percent to 2.33 crore units.

Overall, 2.97 units of mobile phones were brought into the country in 2018 -- 38 lakh units less than what the importers had planned to. The amount is down 15.82 percent year-on-year.

At present, illegal imports account for 25 to 30 percent of the market, up from 20 percent a year ago, according to the BMPIA's estimate.

"While there has always been a notable presence of illegally imported handsets in the market, the trend has picked up pace in recent

MOBILE PHONE IMPORTS



years," said Ruhul Alam Al Mahbub, president of the BMPIA.

The local handset industry is worth about Tk 10,000 crore, of which almost one-third is now taken up by illegally imported handsets, said Mahbub, also the chairman of Fair Group, which started assembling Samsung-branded smartphones in Bangladesh from the middle of 2018.

About 23 lakh units of handsets, both smart and feature phones, were assembled locally last year.

"Despite the local assembly we

could have logged in positive growth for imports as the demand is huge. But illegal imports halted it," he added.

Such a high import duty ultimately increases the prices of legally-imported phones while making the illegal shipments a more viable option for a vested quarter, said Rezwanaul Haque, chief executive officer of Transion Bangladesh, which sells the iTel-branded handsets in Bangladesh.

"Imports are our main source for meeting local demand -- we are only catering to 7 percent from local assembling. The fact that imports have declined indicates there are problems in the channel," said Haque, a former general secretary of the BMPIA.

Smartphones accounted for 22 percent of the total imports last year, in contrast to 24 percent in 2017 and 26 percent in 2016.

The disclosure is set to leave the mobile operators fidgety as their ability to monetise their latest investment on 4G service depends on smartphone penetration.

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Govt to help create 5,000 e-commerce entrepreneurs

STAR BUSINESS REPORT

The commerce ministry along with one of its wings, Business Promotion Council, has taken up a plan to train up about 5,000 e-commerce entrepreneurs in cooperation with the e-Commerce Association of Bangladesh (e-CAB) in the next three years.

The e-CAB is inviting applications from interested youths, including those who are currently working for different online business houses and are interested to develop their own business ventures.

Females will get priority in enrolment for the training session which will begin from the first week of February, said Abdul Wahed Tomal, general secretary of the e-CAB.

The initial plan is to select 2,000 trainees from Dhaka, 1,200 from Chattogram and 300 each from all of the other divisional cities.

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Farmers Bank renamed Padma Bank

STAR BUSINESS REPORT

Farmers Bank has been renamed as Padma Bank as the troubled lender looks to sweep the gross irregularities and loan scams under the carpet and get an image makeover.

The central bank issued a circular on Tuesday allowing the scam-hit bank to change its previous name on grounds that it would have a positive impact on client confidence.

The bank, which was established in 2013, became a hotbed for financial irregularities in less than three years of operation. More than Tk 3,500 crore was siphoned out from the bank, according to the Bangladesh Bank.

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