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Construction financing soars

AKM ZAMIR UDDIN

The banking sector has bumped up its lending to the construction sector on the back of the government's mega project implementation spree.

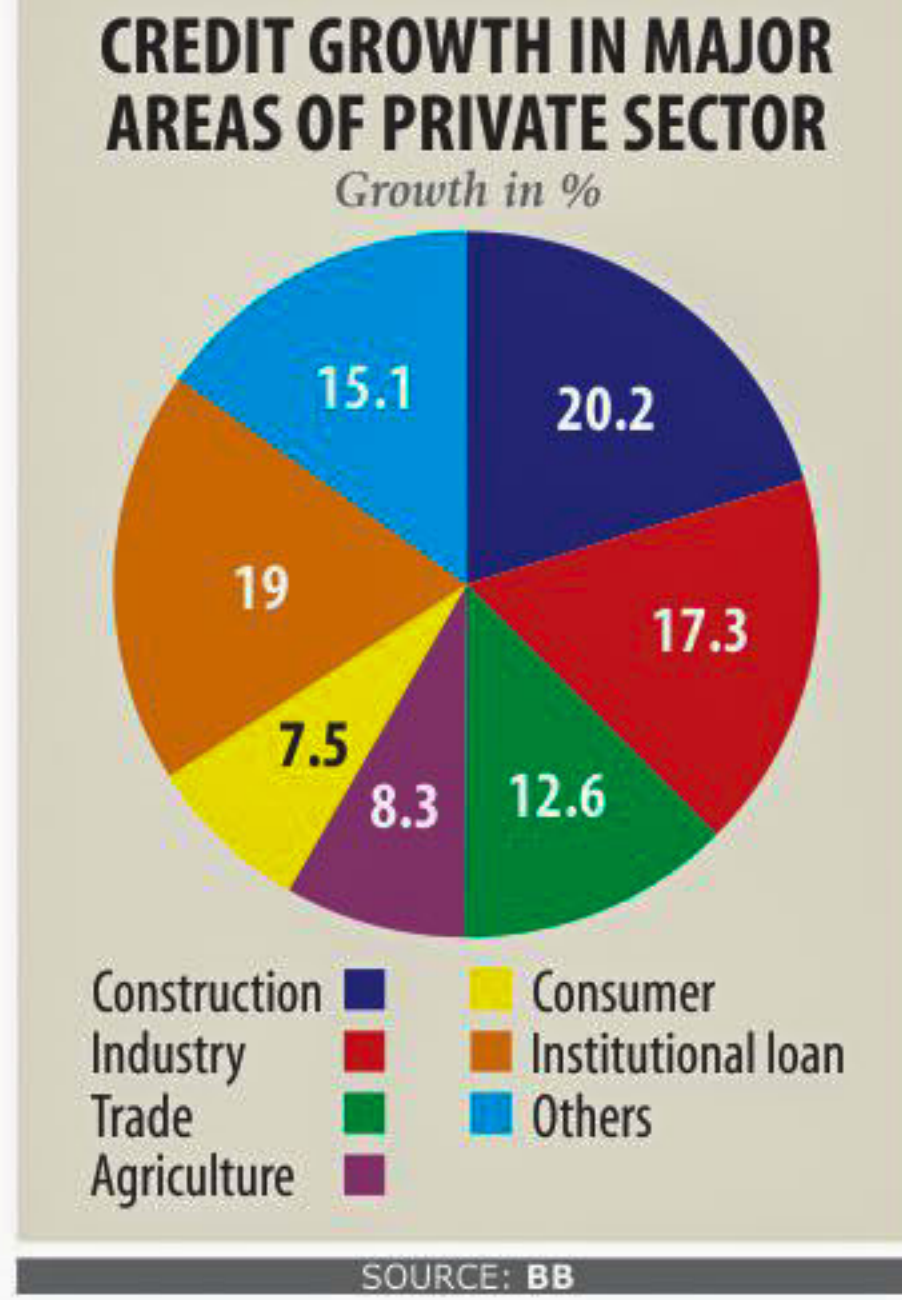
As of September last year, credit flow to the construction sector stood at Tk 80,000 crore, up 20.24 percent from a year earlier, according to data from the central bank.

The segment accounted for 9.44 percent of the total outstanding loans in the private sector.

"Construction financing has been rising for the last two years as the government is implementing a number of mega infrastructure projects," said MA Halim Chowdhury, managing director of Pubali Bank.

The mega infrastructure projects now under implementation are: Padma bridge, Rooppur nuclear power plant, Payra deep seaport, Dhaka-Chattoogram elevated expressway, Dhaka metro rail, and Karnaphuli River Tunnel.

Banks too are keen on lending to the sector as the default loan ratio is low, Chowdhury said, adding that credit is being offered to contractors who have bagged the



government's work orders for infrastructure projects.

Lenders are also enjoying 10 to 13 percent interest from their loans to the construction sector in contrast to 8 to 10 percent from the agriculture and other major sectors.

"In most of the cases, contractors adjust their loans soon after they get funds from the government, which helps banks earn quick profits," Chowdhury said.

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Raise tax-GDP ratio

Economists urge govt at a conference

STAR BUSINESS REPORT

Economists yesterday called upon the government to increase the tax-GDP ratio to reduce inequality and poverty in order to achieve the UN Sustainable Development Goals by 2030.

The call came at a two-day conference in Dhaka, where economists suggested introduction of inheritance tax, property tax and international tax cooperation to curb illicit financial flows and manipulation of transfer pricing mechanism.

They also proposed tax on international financial transactions to increase tax collection.

Social protection expenditures at the present level of allocations cannot reduce income inequality much, said Binayak Sen, research director of the Bangladesh Institute of Development Studies, in his keynote speech at the 4th SANEM Annual Economists' Conference.

"It is too meagre to instigate any meaningful change. We need to raise the tax-GDP ratio to enhance its effectiveness -- or else it lapses into tokenism."

This year, the government allocated Tk 64,177 crore for social safety net schemes, which is 13.81 percent of the total budget. As of June last year, the tax-GDP ratio is 9.27 percent.

Currently, Tk 500 is provided as allowance, which is equal to the daily farm wage, he said at the event organised by the South Asian Network on Economic Modelling (SANEM) at Brac Centre Inn.



Planning Minister MA Mannan speaks at the fourth SANEM Annual Economists' Conference in Dhaka yesterday.

"With this tokenism, it is not possible to reduce inequality much."

Since 2010 growth has been accelerating at a faster rate, but the pace of poverty reduction has slowed down and inequality is increasing at an even faster rate.

Both consumption and income inequalities have been rising, especially since 2010, in Bangladesh. Income inequality is generally higher by 12-16 percentage points than consumption inequality in Bangladesh, according to Sen.

The high economic growth did not yield high political freedom

and thus reduced the pressure of redistribution, which works better under democracy.

It also could not ensure a significant rise in the tax-GDP ratio. For Bangladesh, the rise has been only 2 percentage points in a decade, he added. The large social safety net scheme helped address poverty, said Planning Minister MA Mannan. "But we are not saying that we have been able to eliminate discrimination."

The government is working to reduce poverty and inequality.

"If we can really achieve sustained democracy, it would be possible to achieve inclusive

growth and development. If we can make people aware about their own strength, we will be able to achieve inclusiveness in economic, social and intellectual spheres."

Rahman went on to deny that the country has been in a state of jobless growth as pointed out by economists.

The rising inequality is a huge challenge in achieving the SDGs, said Nagesh Kumar, director of the South and South-West Asia office of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

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HSBC launches debit card

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The Hongkong and Shanghai Banking Corporation (HSBC) in partnership with Visa has launched a debit card for its customers in Bangladesh.

Shirin Sharmin Chaudhury, speaker of the parliament of Bangladesh, inaugurated the card as chief guest at InterContinental Dhaka on Friday.

The card -- HSBC Visa Debit Card -- can be used to pay with ease at merchant outlets, and to get cash out from ATMs anywhere in Bangladesh, according to a statement of the bank.

It will enable customers to transact with over 13,000 local merchants for shopping, entertainment, dining and travel.

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Shirin Sharmin Chaudhury, fourth from left, speaker of the parliament; Francois de Maricourt, fifth from left, CEO of HSBC Bangladesh, and Mohammad Muslim Chowdhury, third from left, Comptroller and Auditor General of Bangladesh, attend the launch of HSBC Visa Debit Card in Bangladesh at InterContinental Dhaka on Friday.

ADP spending highest in six years

STAR BUSINESS REPORT

Development spending in the first seven months of the fiscal year has been the highest in six years, as the government's efforts to improve implementation is slowly bearing fruit.

Between July last year and January this year, the ministries and divisions spent Tk 62,282 crore, which is 34.43 percent of the total annual development programme outlay, according to data from the Implementation Monitoring and Evaluation Division (IMED).

The amount is an increase of 13.82 percent year-on-year.

However, for full utilisation of the allocation, the ministries and divisions will have to spend 65 percent of the allocation in the next five months -- a near-impossible task, said a senior official of the planning ministry.

Planning Minister MA Mannan has taken some special initiatives to further expedite the spending, including personally visiting the field level offices of different ministries and divisions to instruct the officials.

Last week, Mannan met with officials of the different ministries and divisions in Khulna, and he is scheduled to visit the Sylhet division this week.

Of the total amount spent in the first seven months, Tk 36,624 crore came from the government's own funds, which is 32.41 percent of the allocation.

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Big investors seek Accord's continuation

They sent a letter to PM

REFAYET ULLAH MIRDHA

A group of investors representing \$3.1 trillion in assets appealed to the prime minister to let Accord operate until the government is fully capable of ensuring the safety of the workers employed in upwards of the 1,600 garment factories covered by the platform.

The request comes as the government is opposed to the proposition of the Accord continuing its work in Bangladesh uninhibited for three more years.

After much request, the government has agreed to allow the Accord to continue operations under a set of highly restrictive constraints that include prohibiting its inspectors from identifying any new safety violations in factories.

The Accord appealed against such restrictions and a hearing on it is scheduled to be held at the Supreme Court tomorrow.

"As investors, we are concerned," said the letter from a group of 190 investors from 12 countries on February 12 under the banner of Bangladesh Investor Initiative.

The letter was coordinated by the Interfaith Centre on Corporate Responsibility (ICCR). David Schilling, senior programme director for human rights and resources at the ICCR, signed the letter.

Despite significant progress on worker safety measures, the Accord's work is not complete yet, it said.

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Siemens to build LNG power plant in Payra

UNB, Munich

The Power Division of Bangladesh and Siemens of Germany on Friday initialled a joint development agreement for the construction of a 3,600MW LNG power plant at Payra

in Bangladesh.

The document was signed following a meeting of Siemens CEO Joe Kaeser with Prime Minister Sheikh Hasina at the Sheraton hotel in Munich, Germany where Hasina is staying.



CEO and Global President of Siemens Joe Kaeser, left, meets Bangladesh's Prime Minister Sheikh Hasina at the Sheraton hotel in Munich on Friday.

CEO of North West Power Generation Company of Bangladesh Khorshed Alam and Chief Executive Officer and Global President of Siemens Joe Kaeser signed the document.

Briefing reporters after the meeting, Foreign Secretary Md Shahidul Haque said the power plant was the initial part of Siemens' plan to come to Bangladesh in a big way to invest in health, education and other sectors.

Later, Hans Wolfgang Kunz, CEO of German company Veridos, met Hasina at the hotel.

Wolfgang informed the prime minister about the progress of manufacturing e-passports for Bangladesh, saying that the company would be able to hand over the first batch by June next.

The Veridos CEO said from a technological point of view, such e-passports were very much advanced and would only be used in two countries, Germany and Bangladesh. It is almost impossible for the passport to be forged.

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Bangladesh a potential market for foreign foods

Food and hospitality fair ends

JAGARAN CHAKMA

Bangladesh could become a potential market for quality foreign foods as its economy has been witnessing consistent growth for over a decade.

The growing upper middle class who travel abroad like to enjoy foreign food and expect best hospitality services which act as one of the growth drivers of the sector, according to participants of a three-day food and hospitality fair ending yesterday.

"We started importing foreign food targeting the foreigners in Bangladesh 20 years ago. Now local affluent class has become potential consumers of quality foreign foods," said Parvez Ahamed, general manger of Foodex International.

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