

## Lukewarm response from banks to cut lending rates

### Single digit rate by middle of next year is the target

#### STAR BUSINESS REPORT

Although the central bank hopes the interest rates on loans and deposits will come down to single digit by the middle of next year, only a few banks have so far cut their lending rates, now averaging 13 per cent, by half to one percentage point.

On the other hand, the banks are running with a huge amount of idle money due to lack of investment with entrepreneurs finding it difficult to pay high interest on loans.

Only three private commercial banks, one foreign bank and two financial institutions have so far slashed their lending rates while five private and four foreign banks have cut their interest rates on

deposits by 0.5 to 1 percentage point.

At present, a total of 44 banks including four nationalised, 30 private and 10 foreign ones, and five different financial institutions are in operation in Bangladesh.

"If the banks fail to bring down the rates to single digit by mid-2004, Bangladesh Bank will go for stringent measures," a central bank official said. He pointed out that a huge amount of money remained unutilised in the banks.

According to latest statistics, the banks had an excess liquidity of Tk 8,388 crore at the end of September 2003, which was Tk 7,605 crore till June.

Meanwhile, the BB has taken a number of measures to encourage

the banks in slashing rates and the banks have also pledged to do it. The Bankers Club at a meeting last month decided to reduce interest rates on all types of loans and deposits.

The central bank recently reduced the bank rate from 6 to 5 per cent and statutory liquidity requirement (SLR) for banks from 16 to 12 per cent.

"But most banks have not yet taken decision on rate cut as they are waiting for the end of December, the closing month," said an official of Bankers Club. He hoped that many banks would cut both lending and deposit rates early next year.

The National Credit and Commerce Bank (NCCBL), Dhaka Bank, Standard Chartered bank,

First Security Bank, RAKUB and BASIC bank have cut their lending rates.

Uttara Bank, NCCBL, Dhaka Bank, Premier Bank, First Security Bank, Standard Chartered, State Bank of India, Citibank NA and Shamil Bank cut their deposit rates.

On the other hand, Premier Bank, Shahjalal Bank, American Express Bank and Shamil Bank increased interest rates on several types of deposits and Dhaka Bank raised its lending rate in one category.

The central bank last week fined 13 branch managers of six private banks for providing more than their declared rates of interest on deposits. It has also detected similar irregularities in 14 more banks.

## GP, SSOQ sign deal on shrimp news service

Shrimp industry stakeholders having GrameenPhone (GP) connections now can get shrimp news on their cell phones.

To this effect, a contract was signed between Shrimp Seal of Quality (SSOQ), a programme of Agro-based Industries and Technology Development Project (ATDP), and GP Limited in Dhaka on Monday.

Cedric C Randolph, coordinator of SSOQ, and Kafil HS Mueyed, general manager (sales and marketing) of GrameenPhone, signed the deal on behalf of their organisations.

Under the contract, a GP subscriber will be able to hear the shrimp news along with some technical information and solution of problems by dialing a special number, which will be announced shortly, says a press release.

The service titled Bangla Voice Mail Service (VMS) will also include world shrimp news, world prices, national shrimp news, event news, and new shrimp technology updates.

## Gonophone, Business Automation sign MoU

Gonophone Bangladesh Limited, an internet service provider (ISP) and ICT solution provider, has signed a memorandum of understanding (MoU) with Business Automation Limited, an IT company involved in software development and system integration, recently.

Delwar H Khan, managing director and CEO of Gonophone, and Nasir-Ur-Rahman Sinha, managing director and CEO of Business Automation, signed the MoU on behalf of their organisations.

Under the deal, the two companies will work jointly on product promotions and recommendations in generating business in service industry in Bangladesh, says a press release.

## CSE, CDBL hold training on central depository system

Chittagong Stock Exchange (CSE) and Central Depository Bangladesh Ltd (CDBL) jointly organised a training session for brokers and applicant of depository participants on Wednesday in Chittagong.

Training on operation of Versatile Engine for Depository Accounting System (VeDAS), the application software of CDBL, was aimed at achieving smooth transition from physical share certificates mode to scripless electronic book entry mode through the central depository system, says a press release.

A total of 70 participants from different brokerage firms attended the training held at conference hall of Chittagong Chamber of Commerce and Industry. Laxmikant S Joshi from CDSIL, Mumbai, Jumana Taher Fatemi and Jaydeep B Sawant from CMC Ltd, India conducted the training. AB Siddique, GM (Finance) and company secretary of CSE, was present.

## Govt takes steps to reopen Pakshey Paper Mills

#### BSS, Dhaka

The government has undertaken steps to restart the production in Pakshey Paper Mills.

Besides, efforts are on to meet the demand for gas in northern Bangladesh by setting up another pipeline through the Jamuna Bridge.

These observations were made at a discussion titled "The Role of Jamuna Bridge in the Socio-Economic Development of North Bengal" organised by North Bengal People Welfare Association (NBPA) at the Institution of Engineers, Bangladesh auditorium here yesterday.

Industries Minister Motiur Rahman Nizami was the chief guest while State Minister for

Energy and Mineral Resources A K M Mosharraf Hossain, State Minister for Power Iqbal Hassan Mahmud and State Minister for Agriculture Mirza Fakhru Islam Alamgir were special guests at the discussion.

With president of NBPA Professor Dr Mohammad Anwar Hossain in the chair, the discussion was also participated, among others, by BNP central leader Dr R A Ghani, GM Quader MP, Golam Habib Dulal MP, Mohammad Motiur Rahman MP, Hafizuddin Ahmed MP, Chairman of Bangladesh Inland Water Transport Corporation Advocate Shamsur Rahman Shimul Bishwas, Dr Professor MA Majed and Dr Nazrul Islam.

Motiur Rahman Nizami said the file-work has already started to reopen the Pakshey Paper

Mills, one of the biggest industries in northern Bangladesh. "Steps will also be undertaken to establish a fertiliser industry in the country's northern region," he said.

Termed Bogra as the fourth largest industrial town in the country before the construction of Jamuna Bridge, the industries minister said the position could not be upheld later. "We have to find out the reason behind it," he said.

A K M Mosharraf Hossain said steps were undertaken to set up another gas pipeline through the Jamuna Bridge at an estimated cost of \$250 million to meet the gas demand in the northern region. "Furnace oil can be the substitute of natural gas for industrial use," he said.



PHOTO: DBH

Faruq A Choudhury, chairman of Delta Brac Housing Finance Corporation Limited, presides over the 7th annual general meeting of the company held in Dhaka on Wednesday. Directors of the company also attended the meeting.

## Asian consumers confident on economic outlook: Survey

#### REUTERS, Singapore

Asian consumers are growing more confident about the economy and are more willing to loosen their purse strings for electronic gadgets and entertainment, a survey released Thursday found.

Marketing information company ACNielsen said its Asia Pacific Consumer Confidence Study, based on 7,230 online responses from 13 Asian countries, showed Asians were more optimistic about the economy and their future than they were six months ago.

The one exception was the Philippines, battling a toxic mix of security, political and economic woes.

"What Asia experienced in 2003 was unprecedented," ACNielsen said in a statement, referring to the Iraq war and the SARS outbreak this year that killed more than 800

people, most of them in Asia.

"However, our findings show that SARS-hit places like Singapore, Hong Kong and Taiwan have regained their confidence relatively quickly, while India and Thailand are even more upbeat," said Elizabeth Lee, ACNielsen's director online research services.

The survey was conducted in October, three months after the World Health Organisation declared Asia free of SARS and as economic data showed the region was rebounding from the disruption in trade and business caused by the outbreak.

The survey showed 89 per cent of respondents from India, 84 per cent from Thailand, 76 per cent from Malaysia and 69 per cent from Singapore believed their local economies would improve further in the next 12 months.

Philippines was the only coun-

try in which 75 per cent of respondents expressed growing concern about their economy a seven percentage point rise from the last survey conducted in May.

ACNielsen gave no reasons for the falling confidence but the Philippines has struggled this year with bombings, political uncertainty ahead of 2004 elections and a chronic fiscal deficit.

Nearly 90 per cent of respondents across Asia said they would spend spare cash on items like computers, mobile phones, digital cameras, flat screen TVs, clothing and out-of-home entertainment.

Health replaces economy as the top worry, with 64 per cent of respondents saying they have become more concerned about this in the past six months.

Lee said the SARS outbreak and media reports had raised awareness about health issues.

## DBH declares Tk 15 per share dividend

Delta Brac Housing Finance Corporation Limited (DBH) has declared a Tk 15 per share dividend for the shareholders for year ending June 30, 2003.

The dividend was announced at the 7th annual general meeting of the company held in Dhaka on Wednesday, says a press release.

Faruq A Choudhury, chairman of the company, presided over the meeting.

Among the other shareholders, Pradeep K Mukherjee (representing HDFC Investments Ltd, India), Azam J Chowdhury (representing Green Delta Insurance Company Ltd.), Monzurur Rahman, Farid A Choudhuri (representing Green Delta Insurance Co. Ltd.), Dr Syed Mukarram Ali (representing Delta Life Insurance Co. Ltd.), Q M Shariful Ala (managing director), Md Aminul Alam (representing BRAC) and Shawkat Hossain (representing BRAC), attended the meeting.

The meeting also approved the financial statement of the company.

During the financial year 2002-03, DBH earned a net operating profit of Tk 126.57 million and made provision for tax of Tk 57.86 million.

As at 30th June 2003, DBH's housing loan portfolio and public deposit stood at 2,920 million and 2,255 million respectively.

The total loan portfolio and assets employed by DBH was increased to Tk 4,087 million, out of which total shareholders fund was Tk 344 million at the end of the financial year.

## Aftab Auto declares 18pc dividend

Aftab Automobiles Limited has declared an 18 per cent dividend for the shareholders for the year ending August 31, 2003.

The dividend was announced at the 23rd annual general meeting (AGM) of the company held in Dhaka recently, says a press release.

The AGM was held immediately after the extra-ordinary general meeting (EGM) of the company at the same venue on the same day.

Earlier, the EGM endorsed two resolutions -- one changing the Articles of Association of the Company (Companies Act, 1913) and the other increasing the authorised capital from Tk 9 crore to Tk 40 crore.

Shafiqul Islam, chairman of the company, Monwarul Islam and Saiful Islam, directors, attended the meetings.

## Eastern Housing declares 10pc cash dividend

Eastern Housing Ltd on Monday declared a 10 per cent cash dividend for the year that ended on July 31, 2003.

The declaration was made at the 39th annual general meeting (AGM) of the company held in Dhaka, says a press release.

Chairman Manzurul Islam presided over the meeting, which was also attended by directors Azharul Islam, Suraiya Begum and Md Akramuzzaman.

## Shahjalal Bank declares 12.5pc stock dividend

Shahjalal Bank Limited has declared a 12.5 per cent stock dividend for the shareholders for the year ending December 31, 2002.

The declaration was made at the 2nd annual general meeting (AGM) of the bank held in Dhaka on Sunday, says a press release.

Sajjatuz Jummah, chairman of the bank, presided over the meeting.

Among others, vice-chairmen of the bank Mohiuddin Ahmed and Md Solaiman, directors, advisor, and Managing Director (Current Charge) Md Jilur Rahman were present.

## Japan to approve \$760.3b budget

#### AFP, Tokyo

Japan is set to approve a 0.4 per cent increase in spending to 82.11 trillion yen (760.3 billion dollars) in its annual budget to March 2005, with bond issuance hitting another record high, reports said Friday.

The finance ministry's draft budget, to be shown to Japan's various ministries Saturday before cabinet approval Wednesday, will see bond issuance grow 0.4 per cent to 36.59 trillion yen, or 44.6 per cent of spending, Jiji Press and Kyodo News reported, citing a draft copy.

## Restriction on excess charges by freight forwarders

# SC upholds commerce ministry decision

#### STAFF CORRESPONDENT, Ctg

The Supreme Court (SC) on Thursday upheld a commerce ministry decision that barred freight forwarders from realising any charges other than Tk 1250 NOC/DOC fees from exporters and importers.

Justice Syed JR Modasser Hossain of Appellate Division of the Supreme Court in the verdict stayed the stay order passed by the High Court on December 15 and simultaneously ordered for enforcement of commerce ministry's decision.

A meeting with Commerce

Minister Amir Khosru Mahmud Khosru Chowdhury in the chair at the ministry on October 16, unanimously decided that the freight forwarders would realise only NOC/DOC charges.

The meeting, attended by representatives from Chittagong Chamber, BGMEA, Shipping Agents Association, IFFAB, ACAB and officials of related government departments, also decided that each freight forwarder has to be a member of association and will be brought under compulsory licensing system.

The High Court issued a stay order on the commerce ministry decision following a writ petition filed by two freight-forwarding agencies.

The Supreme Court passed stay order and ordered for enforcement of the commerce ministry's decision following appeal made by CCCI and some other organisations in this regard.

The freight forwarders had reportedly been realising as many as six different charges including status charge from the exporters and importers, causing extra cost to business.

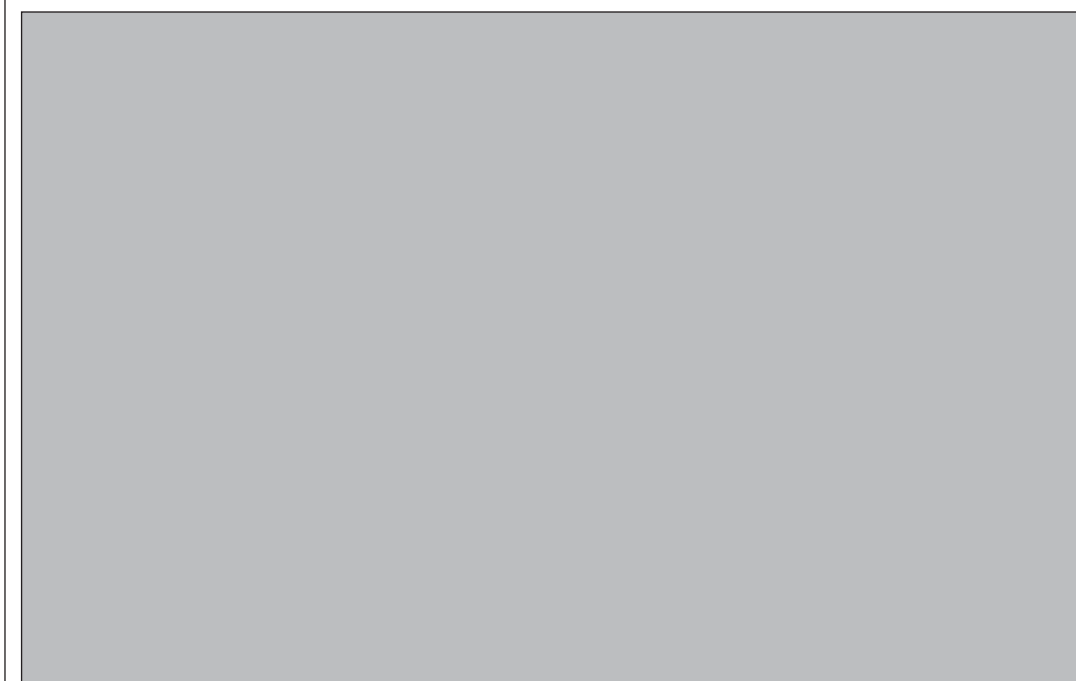


PHOTO: PICARD BANGLADESH LTD

Prime Minister Khaleda Zia hands over national export trophy to Picard Bangladesh Ltd Managing Director Saiful Islam on Thursday in Dhaka for his company's export performances. Picard Bangladesh Ltd, a leading leather goods manufacturer, bagged gold medals for 2001-02 and 1999-2000 and silver medals for 2000-2001 and 1998-99 financial years.

## IMF cautions Pakistan on rising inflation

#### REUTERS, Karachi

The International Monetary Fund has praised Pakistan's economic progress but said the government should be careful about rising inflation.

The comments came in a statement yesterday after a series of meetings between a Fund team and Pakistan's economic managers, held to discuss Pakistan's economic reform programme.

"The staff team concurred with the authorities on the need to watch price developments carefully over the coming weeks to safeguard the gains achieved in restoring financial stability," the IMF said.

Pakistan's annual consumer price inflation rate rose to 4.22 per cent in November, from 3.51 per cent in October and 2.18 per cent in September.

Analysts said rising food and oil prices as well as rapid money supply growth contributed to the rise in inflation, adding that if the rise was sustained it would put upward pressure on interest rates.

The central bank has kept interest rates low in a bid to stimulate economic growth, taking advan-

tage of high liquidity in the domestic money market.

Faysal Sheikh, an analyst at Sherman Securities, said if the trend continues for two more months the possibility of "some changes in central bank monetary policy is very much there."

"Now the IMF is also warning on inflation, I think the central bank can step in if the situation persists," he said.

The IMF supports Pakistan's economic reform programme under a three-year loan, approved in December 2001, to help Islamabad battle poverty and spur economic growth.

Two-thirds of the total approved amount of \$1.4 billion has been disbursed by the Fund, which also completed its sixth and seventh quarterly review in October.

The IMF said most structural reforms in the country were on track, and said the macro-economic outlook was favourable. But it also said further broad-based reforms remained crucial to achieve higher rates of economic growth.

## Asia Pacific economies to improve in 2004: UN

#### AFP, Bangkok

Asia Pacific economies are set to improve on 2003's strong performance in the year ahead but they must be wary that easy credit does not fuel another disastrous bubble, the UN said Friday.

"Growth is expected to pick up additional momentum in 2004 should the global economy build up steam," the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) said in an annual report.

It said the region outperformed expectations this year despite the combined impact of the war in Iraq and the SARS epidemic, and is expected to increase GDP growth by about 1.0 percentage point in 2004.

The report's director Raj Kumar attributed the strong performance to an increase in inter-regional cooperation in trade and initiatives such as the Asia Bond, which has reduced dependence on foreign capital.

He also warned that governments should stay focused on lending to the development sector and not attempt to stimulate growth by giving consumers greater access to easy credit.

"As the economy moves towards expanded business there can be a tendency to over-issue credit cards to people who may be able to pay later," he said.

"Korean credit companies are now in trouble; they didn't introduce a good rating system, (they issued) credit cards to students without income," he added.

Kumar told governments and banks to monitor lending to the housing sector, which could be particularly vulnerable to speculators, but commended governments such as Thailand's for recent regulatory intervention.

He noted that while worldwide growth is predicted to be a modest 2.0 percent this year, developing countries are expected to grow by about 5.6 percent.

## JOBs training course ends

JOBs, a USAID funded project and implemented by IRIS Centre at the University of Maryland, completed a three-month training course on 'product development and quality improvement' in its cluster formed approach at Kajla and Jatrabari in Dhaka recently.

The course was organised in association with VESDC, a local non-government organisation, says a press release.

Five companies and their workers attended the course which was conducted by a local expert.

The objective of the training course was to improve the technical quality of five chosen electrical items like switch, socket, plug, ceiling-rose and bulb holders and impart basic scientific and technical knowledge for the safety of the workers within the factories.