

BB urged to withdraw 10pc tax on interest of term deposits

STAR BUSINESS REPORT

Bangladesh Leasing & Finance Companies Association (BLFCA) has urged the central bank to withdraw imposition of 10 percent tax at source on the interest of term deposits.

The non-banking financial institutions (NBFIs) have also demanded waiver of tax deduction at source on the interest of zero coupon bonds.

"The NBFIs were so long exempted from payment of interest on term deposits, but the budget for the fiscal year 2005-06 has asked to deduct tax at the rate of 10 percent on interest or profit on the date of payment or credit," said A Quader Chowdhury, chairman of BLFCA.

Financial institutions have been

facing serious liquidity crunch, he said adding that this newly imposed restriction should be withdrawn considering the limitation of resource mobilisation capacity of the financial institutions.

"I would like to draw the attention of the National Board of Revenue (NBR) to review its decision of tax deduction at source imposed in the last budget wherein 10 percent tax has been imposed on term deposits in line with the banks," he said.

The association members led by Quader Chowdhury at a meeting urged the central bank governor recently to address their problems.

Quader explained that the contribution of the BLFCA in industrial credit is between 15 and 20 percent, adding that such financial institutions need exemption from

the subject stipulations in the greater interest of these institutions and for the growth of the economy.

Financial institutions have financed and disbursed lease and loan of Tk 31,800 million during January to December, 2004 registering growth of around 37 percent.

These institutions have maintained recovery rate of nearly 95 percent. Total lease and loan assets outstanding as on December 31, 2004 was over Tk 45,000 million. NBFIs have emerged as an alternative source of finance and well-sought-after arm for credit for small and medium enterprises (SMEs).

In the face of the changed economic scenario, most of the financial institutions have diversified their products and services to new areas like small loan, housing

loan, start-up working capital, domestic factoring and others.

Further to reduce the dependence on traditional borrowing against credit lines from banks, some of them have already initiated new financial tools like bonds, securitisation of assets, which have set new trend for others to follow.

Zero coupon bonds are issued to strengthen the resource mobilisation capacity of the NBFIs and also help diversify the traditional financial market.

NBFIs like IPDC, IDLC and United Leasing floated zero coupon bonds in 2004 and 2005 for institutional investors, but the fresh imposition of tax on the bonds is discouraging other NBFIs to issue such product.

SME banking road show in Ctg

CU CORRESPONDENT

In a bid to help the small and medium enterprises (SMEs) grow further, a three-day 'SME Banking Road Show' began in the port city on Thursday.

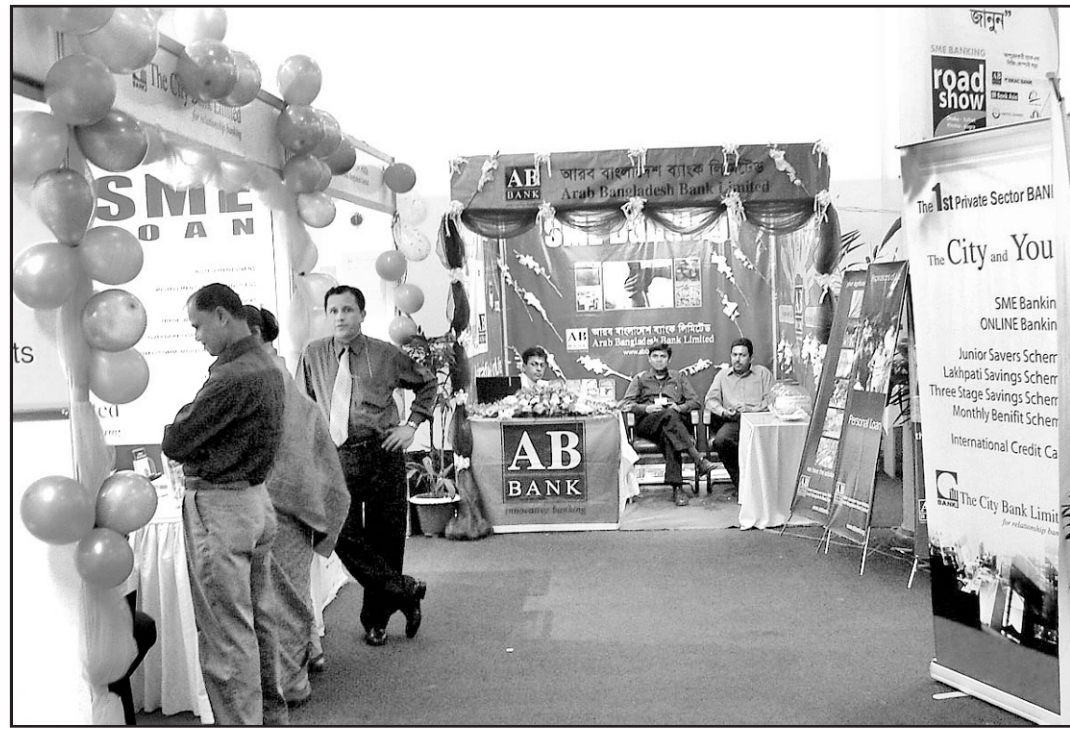
South Asia Enterprise Development Facility (SEDF) and International Finance Corporation (IFC) jointly organised the show at Hotel Agrabad.

Deputy Governor of Bangladesh Bank (BB) Mohammed A (Rume) Ali formally inaugurated the exposition.

Nine organisations -- Arab Bangladesh Bank Ltd, Eastern Bank Ltd, Prime Bank Ltd, Bank of Asia Ltd, BRAC Bank Ltd, City Bank Ltd, Islami Bank Bangladesh Ltd, IDLC and United Leasing Company Ltd -- are participating in the show.

On the sidelines of the show, the organisers also arranged training programme for women entrepreneurs focusing mainly on how the SMEs can get loan.

President of Chittagong Chamber of Commerce and Industry Saifuzzaman Chowdhury, President of Chittagong Women Entrepreneurs Association Monwara Hakim Ali and senior officials of the banks and the financial institutions were present at the inauguration.



Visitors make enquiries at a stall at the three-day 'SME Banking Road Show' at Hotel Agrabad in Chittagong yesterday. The show comes to a close today.

Air-India flight timings back to normal

Air-India's flight timings to Dhaka are back to normal with the airline resuming its regular flight schedule.

"We are glad that we are back to our normal schedule and our Dhaka/London flights are again heavily booked from February 4 onwards," said AK Mitra, manager (Bangladesh) of Air-India.

The airline was forced to reschedule its Delhi-Dhaka-Kolkata flights for a short period to enable it to maintain the slot timing allotted to it at London Heathrow due to the adverse weather conditions in New Delhi and Dhaka, says a press release.

The Dhaka-London passengers were taken to Kolkata by a special feeder flight of GMG Airlines to connect the London flight at Kolkata. However, the London-Kolkata-Dhaka-Delhi flights of Air-India operated as per schedule, according to the release.

Nepal's forex reserve up by 7pc

XINHUA, Kathmandu

The Nepali central bank on Wednesday reported a sound growth in foreign currency reserve during the first four months of the current fiscal year (July 16, 2005 to July 15, 2006).

"Gross foreign currency holding of the banking system went up 7 percent during mid-July to mid-November 2005," said the latest report of Nepal Rastra Bank (NRB).

China auto output, sales to cross 6.4m units in '06

CEIS, Beijing

China's output and sales of motor vehicles will maintain a rapid growth of 12 percent to top 6.4 million units in 2006, predicted an official in charge of the China Association of Auto Manufacturers (CAAM).

By then, China is expected to surpass Japan to become the second largest seller of new motor vehicles in the world, just next to the United States.

According to related forecast, the output and sales of passenger

vehicles will grow about 17 percent, still faster than those of commercial vehicles.

Compact cars with small-displacement will clinch a remarkably biggest market share, thanks to the central government's efforts in canceling all limit on small-displacement cars.

It is learned that 16 car markets have planned to put on market more than 25 new models of compact cars, giving a boost to the hot selling of small-displacement cars.

Home-grown car makers includ-

ing Chery, Jili, Huapu, Hafei and Chang'an, which will dish out 1-3 new models of cars this year, are also predicted to seize a bigger share.

According to CAAM, the auto price will be further readjusted, but the focus will be shifted to high-grade sedans, since low and middle-grade cars have a very limited space for price drop.

In 2005, China's output of motor vehicles was 5,707,700 units, rising 12.56 percent year on year, and sales were 5,758,200 units, up 13.54 percent year on year.

India will not compromise on farm subsidy

PTI, London

Ruling out any compromise on the question of agriculture subsidy at the WTO talks, India has agreed with the European Union to work for better bilateral trade ties.

"We want to work more closely with the EU, our biggest trading partner, both to boost investment and to enlarge the volume and range of trade," Commerce Minister Kamal Nath told reporters here Wednesday night after his talks with the EU Trade Commissioner Peter Mandelson.

At the same time, he made it

clear that in the WTO talks India would not move merely to meet the deadlines.

"India can not compromise and move forward in the WTO talks merely to meet the deadlines though we understand deadlines are important," he said, adding "there cannot be a compromise on agriculture subsidy."

At the end of their talks covering bilateral and WTO issues, Nath and Mandelson issued a joint statement in which they said they would agree on a basis for bilateral negotiations aimed at closer economic cooperation by October, when an EU-India

summit takes place.

"Following our meeting Wednesday, our officials will discuss how to ensure that by the time we get to the EU-India Summit in October 2006 we have a clear road map of how our bilateral trade and investment agenda can be strengthened and we have an agreed basis on which to start bilateral negotiations towards closer economic co-operation," the joint statement said.

After the meeting Mandelson said, "We have both said our priority is the Doha Development Agenda and that will be especially true in the coming months."

"The EU's ability and determination to build the bilateral relationship is not designed to exclude other relationships with WTO members."

Bangladesh needs to follow Basel roadmap

BB workshop told

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Bangladesh will have to follow the roadmap of Basel implementation soon to remain in line with the international banking system, observed Jamal Uddin Ahmad, chairman of Credit Rating Information and Services Ltd (CRISL).

"Our neighboring countries including India and Pakistan have already published their road map for implementation and adopted the standardised approach for risk management and basic indication approach for operational risk management," he said while inaugurating a workshop.

Bangladesh Bank (BB) organised the workshop on Basel-II Accord in Dhaka recently as part of its ASEL-II awareness programme attended by high-level officials of the central bank, commercial banks and non-banking financial institutions involved in the Basel implementation process, says a press release.

Basel II is an effort by international banking supervisors to update the original international bank capital accord (Basel I), which has been in effect since 1988. The Basel Committee on Banking Supervision developed the current proposals.

India economy inching towards 8-10pc growth

PTI, Delhi

Optimistic of India's double digit growth in the coming years, Prime Minister Manmohan Singh Wednesday outlined the need to carry out reforms in power sector, increase credit to farm sector and cut government's fiscal deficit.

"The economy has recorded 7-7.5 percent growth in the last three years and we are inching towards 8-10 percent," he told a press conference here.

"All our macro-economic indicators are robust and point to another year of over 7 percent growth," he said, referring to his government's commitment to sustain 7-8 percent growth.

The economy had logged over 8.1 percent in the first half of 2005-2006 after clocking 7.5 percent last fiscal.

"India today is the faster growing nation ... At the World Economic Forum, India was the star attraction," he said.

While presenting a rosy picture of the economy, Singh said there was considerable improvement in the last 20 months of the government but admitted that "there was some problems that the government will tackle with determina-

tion." However, he said government has to strengthen the mechanism to improve the fiscal situation. "I have reasons to believe that if we accelerate the pace of economic growth, there will be significant improvement in fiscal situation."

On state finances, he said: "If you look at the cash position, some states are flush with cash." Their financial position was better than ever before, he said.

With higher growth in the economy, Singh outlined the need to increase the savings rate in the next few years from the present 29 percent.

A hike in savings rate by 4-5 percent on account of employment of younger generation will add up one percent to the overall growth in GDP, Singh said.

Increased efficiency because of competition will add another 0.5-1 percent to the economic growth, he said, justifying the optimism for high 8-10 percent growth.

The Prime Minister outlined the need for power reforms for which he will convene a meeting with state chief ministers in two weeks.

"We have to increase the generation capacity by 150,000 MW in the next seven years. We have to

improve distribution and transmission also. That will require heavy investment," Singh said favouring "proper pricing" of power by all public utilities.

He also stressed on increasing credit to farmers and strengthening of rural credit institutions through a financial package of Rs 130 billion.

Highlighting the improvement in India's international relations with other nations, he said: "India is sought after everywhere and we are reaching out to everyone who wants to work with us."

He said India will sign a free trade agreement with ASEAN by the end of this year. India already has a Comprehensive Economic Cooperation Agreement with Singapore and FTA with Thailand. Economic cooperation with Brazil, South Africa and Russia is being strengthened.

The relations with US and China are better than ever before, while India has a strategic tie-up with EU, he observed. For strengthening infrastructure, the Prime Minister said: "We expect an investment of over Rs 1700 billion in the National Highway programme in the next seven years."

Melamine makers urged to take safety measures in factories

STAR BUSINESS REPORT

Speakers at a seminar stressed the need for using personal protective equipment (PPE) system in melamine industry to boost export of Bangladeshi melamine products.

They also suggested the local melamine manufacturers to use 100 percent melamine powder instead of urea as raw material to produce melamine products.

PPE is designed to protect employees from serious workplace injuries or illness resulting from contact with chemical, radiological, physical, electrical, mechanical, or other workplace hazards. Besides face shields, safety glasses, hard hats, and safety shoes, PPE includes a variety of devices and garments such as goggles, coveralls, gloves, vests, earplugs, and respirators.

The speakers recommended these at a seminar on safe use of melamine powder in melamine industry organised on Thursday in Dhaka. Royal Thai Embassy in Bangladesh organised the seminar in a bid to raise awareness among the melamine product manufacturers of Bangladesh regarding quality and safety issues in production. Suphat Chitrakrook, ambassa-

dor of Royal Thai Embassy to Bangladesh, Md Saifur Rahman, director general of Bangladesh Standard and Testing Institute (BSTI), CharoENCHAI Prathuangsuksri, managing director of Thai MFC Manufacturer, Rashed Maksud Khan, president of Thai and Bangladesh Chamber of Commerce, were present at the seminar.

Bangladesh has six export-oriented melamine manufacturing companies, where lack of knowledge about the use of raw materials properly exposes the workers to different health hazards, said BSTI Director General Saifur Rahman.

He said, "If Bangladeshi melamine producers become more aware of the use of raw materials, the country can get more GSP (Generalised System of Preference) facility from the international market."

Thai ambassador said Thailand has improved a lot in melamine sector in the last few years. So, Bangladeshi entrepreneurs can take help from Thailand to boost its melamine export.

Thailand has 30 percent market share in Bangladesh's melamine sector.