

High interest on savings tools, deposits hurts capital market

Says central bank governor

STAR BUSINESS REPORT

As the country's bourses have been witnessing a downtrend in indices since January, Bangladesh Bank (BB) governor yesterday expressed concern over high interest rates on deposits and savings instruments, saying the high rates are hampering capital market growth.

"Participation of small investors in the capital market has been hampered by the availability of relatively high real return on deposits and other savings instruments," said BB Governor Salehuddin Ahmed.

Recently, the banks have been informed of the central bank's concern over the issue, he said

adding, "In response, the banks have reached a consensus to rationalise the interest structure."

The capital market stakeholders have long been saying the high interest rates on deposits and on savings schemes are encouraging small investors to divert their funds from stock markets.

The governor was speaking at a seminar titled 'Development of Capital Market in Bangladesh' jointly organised by the Securities and Exchange Commission (SEC) and Standard Chartered Bank in Dhaka.

The BB governor said much dependence on banking system for long-term loans is fraught with risk that may lead to serious liquidity problem.

"A well functioning capital market is imperative not only for the banking system but also for the entrepreneurs as it enables them to raise debt without fixed repayment obligations," he said.

Emphasising an active secondary market for government securities, Ahmed said an IMF expert is closely working with BB to identify and remove obstacles that are acting as deterrents towards further activating secondary market for government securities.

Terming the capital market's 6 per cent contribution to GDP too low, he said in India, Pakistan and Sri Lanka the rate is 47 per cent, 20 per cent and 15 per cent.

The BB governor also urged the

mobile phone operators and services sector companies to go public.

Addressing the function, SEC Chairman Faruq Ahmad Siddiqi said adequate supply of good securities is important to ensure market stability.

The SEC chairman also underscored the need for true and fair reflection of companies' strength in their financial statements. "To ensure this, creation of an independent regulatory board is being considered and a project is already under implementation to establish a financial reporting council," he added.

Osman Morad, chief executive officer of Standard Chartered Bank Bangladesh, also spoke.

Microsoft, Google gear for titanic clash

AFP, New York

Microsoft and Google are girding for battle for supremacy over the information technology sector, a duel watched closely by others in the sector.

The spectacular rise of Google in the past few years has raised questions about whether the Internet search titan is on track to dethrone Microsoft and Bill Gates as the undisputed high-tech superpower.

To meet the challenge, Microsoft is pouring billions of dollars into its most significant wave of product launches in years, including the new version of the Windows operating system called Vista, and new version of the Office suite of business software.

Microsoft is also moving into growing businesses such as Internet search and online advertising, where it is trailing Google and other competitors. It is also investing on a dozen other fronts, including making the most of the early start Xbox 360 holds over Sony in the lucrative video-game market.

"Today, we believe we face the largest array of opportunities for growth and innovation the company has ever seen," Microsoft chief financial officer Chris Liddell said recently.

But concerns about Microsoft's dominance were underscored by the most recent quarterly results of the two firms.

Google reported a 60 percent gain in profits (to 592 million dollars), while Microsoft's 16.4 percent gain (to 2.98 billion dollars) disappointed financial markets.

Amid fears that it is being overtaken, Microsoft has been seeking new alliances. According to the Financial Times, Yahoo chairman and CEO Terry Semel said at a Syracuse University question-and-answer session that the company turned down an offer from Microsoft Corp. to buy a stake.

Philippine telecoms firm wooing Malaysian partner

AFP, Kuala Lumpur

Philippine's smallest mobile operator Sun Cellular is wooing two Malaysian telephone companies in its search for a strategic partner here, a report said Sunday.

"Sun Cellular is looking for a partner to help it compete and grow its share in the Philippine market, which is dominated by two other players. They have put out feelers to some of the local telcos," the Edge financial weekly quoted an unnamed source as saying.

It said that Sun Cellular, which is owned by the Philippine-listed Digital Telecommunications Inc., has approached state-controlled Telekom Malaysia and Malaysia's top mobile operator, Maxis Communications.

Telekom Malaysia International, Telekom's overseas investment arm, is said to be looking at a proposal for it to be Sun Cellular's strategic partner, added the source.

Philippine mobile phone penetration is more than 40 percent. The Philippine's two dominant mobile players, Globe Telecommunications and Smart Communications account for as much as 96 percent of the market.



PHOTO: STAR
Bangladesh Bank Governor Salehuddin Ahmed (L) speaks at a seminar on development of capital market in Dhaka yesterday as Standard Chartered Bank Bangladesh CEO Osman Morad (C) and Securities and Exchange Commission Chairman Faruq Ahmad Siddiqi look on.

SMALL PROJECTS FACILITY

EC seeks proposals from non-profit firms

STAR BUSINESS REPORT

The European Commission (EC) has sought proposals from Bangladeshi non-profit organisations for their small projects in a bid to help those through giving up to 90 percent financial assistance under a programme.

The main objective of the Small Projects Facility (SPF) programme is to support the diversification process of Bangladesh's economy directly through small grants. The programme will also improve the competitiveness of private sector and its ability to cope with the challenges posed by the post-MFA

(multi-fibre arrangement) scenario. Pinpointing on the programme, Carmen Gomez Puro, second secretary of EC in Dhaka, said it can be very useful for the small projects in future. The minimum EC contribution would be 70,000 euros and maximum 100,000 euros and the applicant or partners in the project must bear 10 percent of the project costs.

Amount available under the 'Call for Proposals 2006' is 800,000 euros, she told an information session adding that non-profit and legally established organisations based in Bangladesh are eligible for the assistance.

European Commission organised the session on the recently launched 'Call for Proposals 2006' of SPF programme in Dhaka yesterday.

Speaking at the session, Jean-Claude Malongo, programme manager of SPF programme, said priority areas for the programme include trade- and investment-related EU legislation, support for initiative aimed at promoting technology transfer and vocational training and entrepreneurship promotion.

M Zakir Hossain, team leader of SPF information services unit, also spoke at the session.

Asean economic ministers meet in Manila today

AFP, Manila

Economic ministers from the Association of Southeast Asian Nations (Asean) will gather in Manila today for a three-day meeting with economic integration and trade issues topping the agenda.

The meeting was to have taken place on the central Philippine resort island of Boracay, but was cancelled at the last minute when tropical storm

Chanchu ripped through the Philippines on Friday, leaving 32 dead.

"We had wanted to give the ministers a relaxed atmosphere for their annual informal brainstorming and strategy-setting session," Philippine Trade Secretary, Peter Favila, said in a statement Sunday.

"But when Chanchu hit we thought it best to move the meeting to Manila." Favila said the meeting will cover

issues of "intra-Asean economic integration and integration with free trade agreement partners."

The ministers are expected to discuss progress towards implementing an Asean Economic Community (AEC) and a free trade agreement (FTA) with South Korea.

Philippine trade department officials said earlier that an agreement could be signed at the close of the three-day meeting.

DUTY-FREE ACCESS BGMEA team leaves for USA

UNB, Dhaka

A three-member delegation of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday left for USA to lobby for duty-free access of Bangladeshi apparels to the US market.

During the visit, the delegation will hold talks with US Senators to ensure access of Bangladeshi readymade garments to the US market, said a BGMEA press release.

The delegation will request the US leaders to settle the TRADE (Tariff Relief Assistance for Developing Economies) Bill as early as possible.

Crab exporters seek measures to boost earning

STAR BUSINESS REPORT

Country's crab and eel fish exporters yesterday sought government intervention in easing the process of getting no objection certificate (NOC), reducing export duty and allocating adequate space in flights to boost earning from the sector.

Bangladesh Live Crabs and Eel Fish Exporters' Association (BLCEFEA), a platform of eleven crabs and eel exporting companies, made these demands at a press conference in Dhaka.

BLCEFEA General Secretary Uttamkumar Barua read out a written statement at the press conference while President Moazzem Rashidi Doza was also present.

Vietnam, US reach deal on WTO

AFP, Hanoi

Vietnam and the United States have reached an agreement in principle that should enable Hanoi to join the World Trade Organization (WTO), state media reported Sunday.

The state-owned Vietnam News Agency (VNA) said Hanoi had "technically concluded the 12th round of negotiation with the United States" on WTO accession Saturday after a week of "intense discussions".

But the VNA report also said "several issues remain unsolved". "At 2:30 on May 13, Washington time, the talks reached agreements in principle," Minister of Trade Truong Dinh Tuyen was quoted as saying in Tuoi Tre daily newspaper on Sunday.

"The official signing will take place in the near future." The paper also quoted a Vietnamese official in Washington as saying the signing could take place in early June, when Vietnam will host the meeting of APEC trade ministers in southern Ho Chi Minh City.

Newly appointed US Trade Representative Susan Schwab was expected to attend the meeting.

The latest round of talks began Tuesday in Washington. Textiles appeared to be a major sticking point between the two sides, some reports said.

VietnamNet said Hanoi's ambassador to Washington, Nguyen Tam Chien, had confirmed that the talks had concluded, saying: "There are no more clouds in Washington, the sun is coming out."

The communist nation wants to join the trade body before hosting the Asia Pacific Economic Cooperation (APEC) summit in November, which US President George W. Bush is expected to attend.

China's auto imports up

XINHUA, Beijing

China imported 72,000 motor vehicles in the first four months of 2006, doubling the figure in last year's same period, according to a news release from the General Administration of Customs (GAC).

In April alone, China's import of motor vehicles topped 21,000. In addition, China's import of machinery and electronic products jumped 28.5 percent to 129.56 billion US dollars. But, the import of steel products dropped by 26.4 percent to 6.29 million tons.

In terms of export, machinery and electronic products grew 32.7 percent to reach 158.72 billion US dollars in the first four months of this year, making up 57.9 percent of the country's total exports.



PHOTO: STAR
Finance & Planning Minister M Saifur Rahman (C), State Minister for Finance & Planning Anwarul Kabir Talukder (L) and FBCCI President Mir Nasir Hossain are seen at a pre-budget consultative committee meeting of National Board of Revenue (NBR) in Dhaka yesterday. The NBR and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) jointly organised the meeting.

RUN-UP TO BUDGET FY07

Withdraw 10pc AIT on interest of term deposits

Non-banking financial institutions urge govt

STAR BUSINESS REPORT

The non-banking financial institutions (NBFIs) once again have urged the government to withdraw 10 per cent advance income tax (AIT) on interest of term deposits as the AIT is affecting their business.

They also demanded the government to restructure corporate tax rates.

The NBFIs were exempted from paying tax on interest of term deposits but the budget for the 2005-06 fiscal year imposed the tax, said A Quadir Choudhury, chairman of Bangladesh Leasing and Finance Companies Association (BLFCA), while briefing a group of reporters in Dhaka recently.

"So, we request the government to withdraw the tax in the upcoming budget. The withdrawal of AIT will strengthen the deposit mobilisation capacity of the NBFIs, paving the way for accelerating their investment activities in the productive sectors of the economy," he said.

Anis A Khan, vice-chairman of the association, said restructuring

of the 35 per cent corporate tax for the listed NBFIs and 40 per cent for non-listed ones will encourage more NBFIs to get listed on the stock exchanges.

Now, the corporate tax rate for banks, insurance companies and financial institutions is 45 per cent.

"The same tax rate of banks and NBFIs should not be justified," said Khan, also managing director of IDLC.

He said about 40 per cent of the banks' incomes come from their wide range of operations like exports, imports, trading, industrial credit, in-land and foreign remittance, issuance of bonds and a host of other fee-based income channels, though the NBFIs are not allowed to do such jobs.

Choudhury said imposition of tax on interest above Tk25,000 is acting as a disincentive for issuance of zero coupon bonds. The Finance Act 2005-06 imposed the fresh tax.

Investors are not interested to subscribe the zero coupon bonds as it is less attractive when compared to other instruments like

fixed deposit receipts (FDR) of banks, said Choudhury, also the managing director of Phoenix Leasing Company Ltd.

The 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 the same product.

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

The BLFCA chief said they held recently meetings with the National Board of Revenue (NBR) and the Bangladesh Bank and urged them to address the core problems.

Demanding a consistent policy support, the BLFCA leaders said it was a pre-requisite for sustained growth of the NBFIs, which have emerged as an alternative source of finance.

At present, 28 NBFIs are operating in the country.

'Tata steel project no threat to local firms'

PTI, Jamshedpur

Amid reports of protests from industry associations in Bangladesh, the Tata Group yesterday sought to assuage the feelings of local producers, saying its upcoming steel production facility would be complementary and not competitive.

"There is no way we can be their competitor," Tata Group's chief of Bangladesh operations Indranil Sengupta told PTI in an interview, attributing the resentment of the local industry to 'communication gap'.

Elaborating on the plans of the group for Dhaka, he said Bangladesh was importing HR

coils to the tune of \$600 million annually, and Tata is getting into this segment and not the areas where local industry was doing well.

"In course of our deliberations with the captains of the Bangladesh industry, we have made it clear that our plant would manufacture hot rolled coils to support cold-rolled steel producers," he said.

Sengupta said instead of impeding the growth of the local steel manufacturing industries, particularly those producing MS rod, Tata would support the CR sheet producers.

The neighbouring nation's two prominent steel industry associa-

tions - Bangladesh Steel Mills Owners Association and Bangladesh Re-rolling Mills Association - claiming to represent 100 steel and 300 re-rolling mills have threatened to launch a countrywide agitation from May 31 if the Tata Group went ahead with their 2.4 MT steel plant to be built at the cost of \$1.3 billion.

"Bangladesh steel producers spend around \$600 million annually to import HR coils. When we set up our plant, we expect a turnaround in the situation and turn Bangladesh into an exporter of these steel products and earn about \$1 billion annually," Sengupta said.

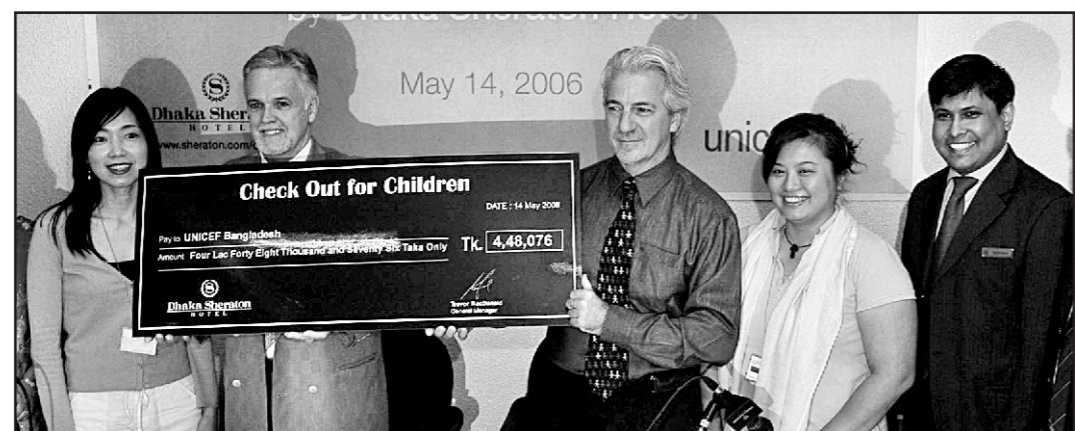


PHOTO: STAR
Trevor MacDonald, general manager of Dhaka Sheraton Hotel, hands over a token cheque for Tk 4,48,076 to Louis-Georges Arsenault, UNICEF country representative in Bangladesh, at a function in the capital yesterday. The amount has been raised from guests through 'Check out for Children' programme to support child survival efforts worldwide.