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The Daily Star BUSINESS

DHAKA, MONDAY, OCTOBER 25, 1999

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ANZ Grindlays extends term loan to IPDC

ANZ Grindlays Bank and the Industrial Promotion and Development Company of Bangladesh (IPDC) signed a Tk 100 million term loan agreement recently, says a press release of the bank.

K M Sattar, Head of Corporate Financial Services of ANZ Grindlays Bank, and CM Alam, Managing Director of IPDC, signed the agreement on behalf of their respective organisations at IPDC office in the city.

This loan will be utilised to extend term loans to local entrepreneurs by IPDC and is part of ANZ's commitment to help build other financial institutions as well as provide credit for industrialisation of the country.

Adil Islam, Manager Corporate Banking, ANZ Grindlays Bank, and Jamaluddin Ahmed, IPDC, General Manager, were also present on the occasion.

BB T-bill auction held

The 59th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held here yesterday, says UNB.

Some Tk 726.00 crore, Tk 7.50 crore, Tk 50.00 crore, Tk 52.00 crore and Tk 44.00 crore were offered respectively for the 28-day, 91-day, 182-day, 364-day and 2-year bills. No bid was offered for the 5-year bill.

Of these, Tk 634.50 crore, Tk 0.50 crore, Tk 26.00 crore, Tk 23.00 crore and Tk 6.00 crore were accepted with the range of the implicit yields of 6.05-6.89 per cent, 7.00 per cent, 7.68-7.83 per cent, 8.11-8.19 per cent and 8.82-8.90 per cent per annum respectively against the bills, said a press release.

'Bangladesh-Japan economic co-op to be boosted'

Economic cooperation between Japan and Bangladesh would be strengthened further, it was agreed at a meeting here yesterday, says UNB.

The visiting Senior Executive Director of Japan Bank for International Cooperation, Tomio Uchida, called on Finance Minister Shah AMS Kibria at his office when bilateral cooperation came up for discussions. Officials said they discussed matters of mutual interest, particularly Japanese assistance in the development projects of Bangladesh.

Termining Japan as a very friendly country to Bangladesh, the Finance Minister said the two countries have long historical association that could be a means of bolstering Dhaka-Tokyo relations.

Stressing the need for bilateral economic cooperation, Kibria said Bangladesh is a proper place for investment in capital-intensive composite textile mills.

"We have to import 80 per cent of the total fabrics," he told the Japanese banker about the investment prospects in the backward-linkage industry.

Tomio Uchida assured all possible help in providing soft credits for the development schemes of Bangladesh.

7-member team off to witness privatisation in Uzbekistan

A seven-member delegation comprising Members of Parliament, labour leader, journalists and government officials left Dhaka Friday to see the privatisation process and industrial management in Uzbekistan, reports UNB.

Led by M Tazul Islam, PM, the team will visit the Central Asian republic as part of a programme of observing privatisation process in different countries.

The Privatisation Board and the Asian Development Bank have jointly organised the tour. The delegation is expected to return Thursday, said a news release yesterday.

HK Aircraft workers end strike

HONG KONG, Oct 24: Workers at the Hong Kong Aircraft Engineering Co. Ltd. have ended a work stoppage and opened talks over a pay dispute with the company, union officials said Sunday, reports AFP.

Samuel Tsang, spokesman of Haco's Employees Union, declined to disclose details of the negotiations except that they partly related to the amount of security the new wage proposal offered workers.

"We are concerned about the comprehensiveness and the stability of our contracts. The workers are not too mindful about the pay cut because we know that the company is going through a difficult time," he said.

According to the Oriental Daily News, workers wanted the new pay rules to remain unchanged for three to five years.

Mutual Trust Bank joins the banking sector affray

Govt to clamp down on illegal money transfers

Star Business Report

Finance Minister SAMS Kibria yesterday warned that stern actions would be taken against financial institutions found involved in illegal transfer of money in the form of 'hundi'.

He also urged banks to expand their networks so that they could deal with remittances through legal ways.

The minister was inaugurating the country's 42nd bank, Mutual Trust Bank Ltd., at a local hotel yesterday.

Kibria referred to the example of the expatriate Chinese, who contributed 57 per cent to the country's total investment,

and asked bankers to not merely funds of non-resident Bangladeshis (NRBs).

He also called upon the private bankers to exploit the existing liberalised economic environment for offering better customer services through competition.

"Do not take short-term policies and assume conservative attitudes like the foreign banks," Kibria told private bankers and urged them to take interest in long-term industrial investment for poverty alleviation.

The minister said the government has attached the highest importance to poverty alleviation and the bankers could contribute substantially to the drive through introducing different self-employment programmes.

"Trust is the essence of banking as depositors put their hard-earned money in banks for better care and return. The bankers must have the highest level of integrity in maintaining the depositor-banker mutual trust."

"The government and the central bank would not hesitate in taking action against any bank if it fails to protect the depositors' money," the minister added.

Kibria also called upon the private banks to open more branches in the rural areas to monetise the rural economy.

"Rural branches can help mop up funds for investment," the minister said.

Mutual Trust Bank, the new entrant in the banking sector, has an authorised capital of Tk 1000 million with a paid-up capital of Tk 400 million. Of this amount, Tk 200 million has been contributed by the sponsors.

Speaking of the occasion, Bangladesh Bank Governor Dr. Mohammad Faruquddin said that the deposits with the four nationalised commercial banks had come down to 59 per cent from 63 per cent in the last 11 months. Most of these deposits went to private banks, especially the foreign ones, he added.

The BB governor termed the foreign banks as 'extremely conservative' in terms of their investments. The foreign banks, which have only 0.8 per cent of the total bank branches all over the country, handle eight per cent of the entire deposits and their investment share is only 1.5 per cent.

Mutual Trust Bank Chairman Syed Manzur Elahi said that the directors of the new bank had no loan defaulting records and were established entrepreneurs of the country. The bank would ensure quality services to the clients, he added.

Managing Director of the bank Mosharraf Hossain and Vice-Chairman Samson H Chowdhury were present on the occasion.

The services of the bank include consumer, institutional, corporate and commercial banking; lease financing and consumer credit facilities; and standing instruction services.



Finance Minister Shah AMS Kibria speaks at the launching ceremony of Mutual Trust Bank Ltd. at a city hotel yesterday. — Star photo

Country to have jt venture LPG plant at Mongla

A new joint-venture LPG plant with an initial investment of about Tk 85 crore will be set up in the country, says a press release of the Australian High Commission in the city.

A consortium of Australian, Malaysian and Bangladeshi companies has come together to establish an LPG importation, bottling and distribution business based at Mongla.

The company ELPIJI Malaysia, Bangladesh, Limited (EMBL), recently signed a Tk 300 million loan agreement with a syndicate of banks comprising ANZ Grindlays Bank, South East Bank, Arab Bangladesh Bank and Pubali Bank.

Site works for the project are underway, and with the finance in place, the company intends to let the major construction contracts over the next few weeks. The consortium members are also looking at the feasibility of setting up a cylinder manufacturing plant alongside the LPG import terminal.

David Alan, Managing Director of EMBL said, "This is a very exciting project that brings together the strength of three proven sponsors. We were looking forward to working with our many new friends in Bangladesh to develop a truly excellent LPG business. The project will help mitigate the country's acute LPG crisis with continuous and reliable supply of LPG."

James Lau, a Malaysian Director of EMBL, expressed his company's "commitment to transfer technology of the LPG industry, which requires high standards of safety and efficiency to ensure continuous supply."

Sk Nur Mohammad, Executive Director of the company, explained the environmental benefits of the project. He said: "LPG is 1.6 times more efficient for cooking than kerosene, and 4.2 times more efficient than wood. In addition, each ton of LPG used substitutes for over 10 fully grown trees to be used as firewood and so will arrest the felling of trees."

The acting Australian High Commissioner, Peter Doyle welcomed the announcement of the venture. He said: "This project will lift considerably the Australian investment in Bangladesh. It is further an evidence of the rapidly growing

commercial relationship between Bangladesh and Australia. I am particularly pleased to see Australian companies taking an interest in the energy sector, which will be one of the key sectors driving economic growth in Bangladesh."

Leading Australian company, Wesfarmers, is the major shareholder of the company. Wesfarmers will provide expatriate staff for key management positions. The Wesfarmers Group is one of Australia's largest and most successful industrial companies.

The second major shareholder, ELPIJI of Malaysia, has been involved in the engineering, manufacture and installation of LPG equipment for more than 20 years. The Palmal Group of Industries of Bangladesh is the third major shareholder. The group is represented by Managing Director Md Nurul Haque Sikder, who is the Chairman of the Board of Directors of EMBL.

The company intends to establish a dealer network at an appropriate time, and will trade under the name of Kleenheat Gas.

Construction of new StanChart branch in Sylhet begins

Standard Chartered Bank has started the construction of its branch in Sylhet, says a press release.

The Sylhet branch will be the bank's sixth branch in Bangladesh. The first branch was opened in Chittagong in 1948.

A milad mehfal was held at its premises in Chouhatta last Friday.

It was attended by social and business leaders of Sylhet. The milad mehfal was followed by a presentation on the Standard Chartered Bank and its services.

The bank has branches in Motijheel, Dhanmondi, Banani and Chittagong and in the Savar EPZ.

A technological leader in the banking sector of the country, Standard Chartered pioneered the 24-hour banking service through Moneylink and Phonelink.

Sethu Venkateswaran, Chief Executive Bangladesh, thanked the guests at the end of the presentation.

He said that Standard Chartered Bank would be the first London-based bank in Sylhet and was going to bring world-class services to the doorsteps of its customers.

Discussion on Ishwardi EPZ held

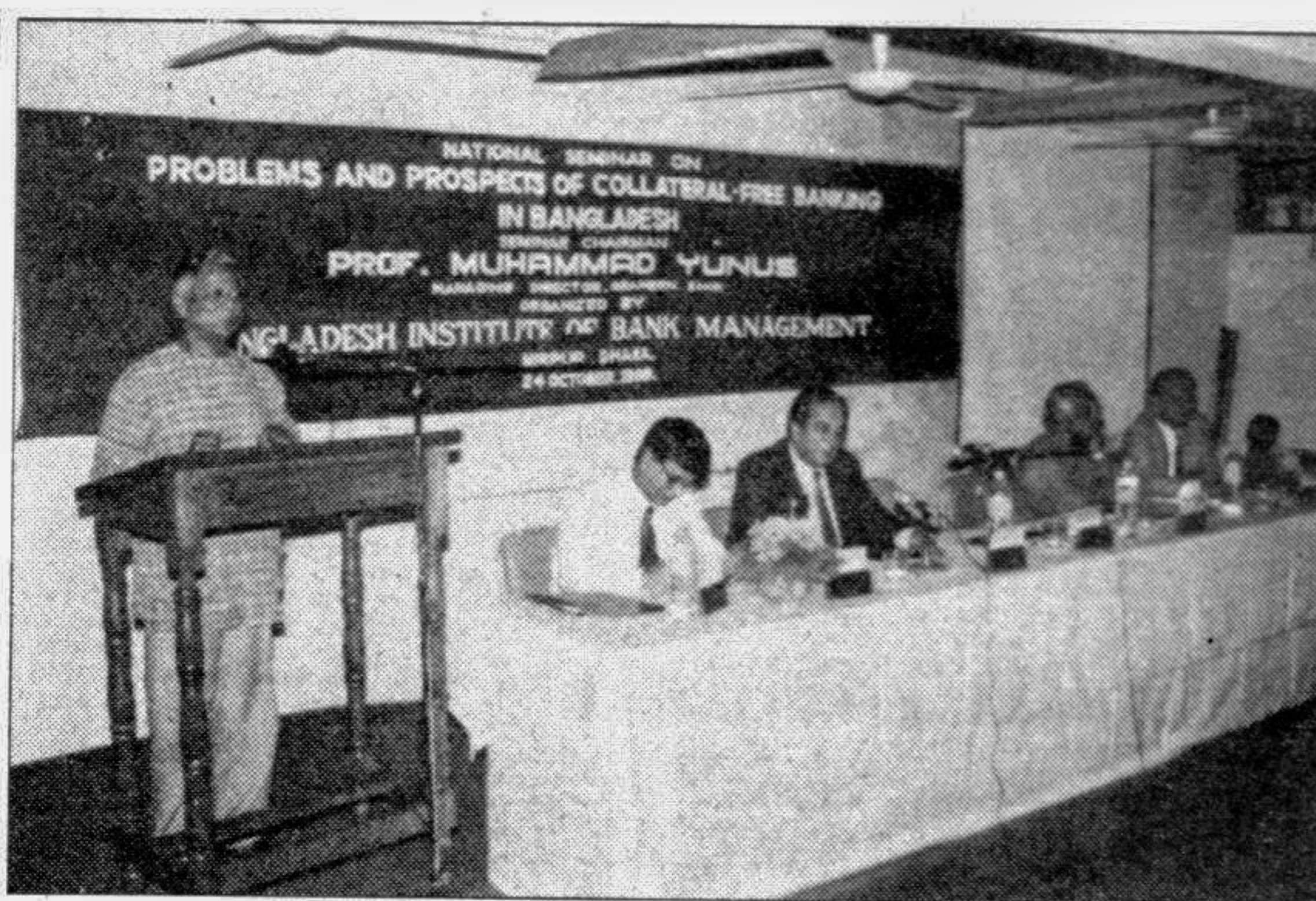
An open discussion meeting on 'Ishwardi Export Processing Zone (EPZ) Implementation, organised by Pabna Samity was held at the National Press Club here Saturday, reports BSS.

Prof Dr M Anwar Hossain, President of Pabna Samity, presided over the meeting which was addressed, among others, by Shamsur Rahman Sharif, MP, and EPZ Chairman ABM Siddique.

Speakers at the meeting said Ishwardi EPZ will create a far-reaching impact on both economic and social of life of the people in the country's northern region if it is properly developed at the earliest.

EPZ Chairman A B M Siddique and Shamsur Rahman Sharif said "we will try to ensure all facilities and financial support for the local and foreign investors. Many industrial units as well as small and medium scale cottage and agro-based industries are located here."

Ishwardi is regarded as a very important railway junction since the British period. It has a very well-connected rail communication with northern and southern region of the country. Among others, Al-Haj AKM Saikatul Islam, Shahidul Islam, Akram Ali Khan, Khalid Abdul Zahid Mukul spoke at the meeting.



Prof Muhammad Yunus, Managing Director of Grameen Bank, speaks at the national seminar on "problems and prospects of collateral-free banking in Bangladesh", organised by the Bangladesh Institute of Bank Management (BIBM) in the city yesterday. Dr Muinul Islam, Director General (BIBM), L R Sarkar, former Governor of Bangladesh Bank, Wahid Uddin Mahmud, Professor of Dhaka University, and Alauddin A Majid, Managing Director of BASIC Bangladesh Ltd, are seen in the picture. — BIBM photo

BIBM seminar on collateral-free banking Regulatory framework for MCIs to muster rural funds stressed

Star Business Report

Speakers at a seminar yesterday underscored the need for formulating a regulatory framework for the micro-credit institutions (MCIs) so that they could mobilise funds from the rural people.

They also said the linkage between the commercial banks and the MCIs must be strengthened to expedite credit programmes in the rural areas. This is more important as only five per cent of the country's total population can now avail themselves of the credit facilities of the banking system.

Chaired by Prof. Muhammad Yunus, Managing Director of the Grameen Bank, the seminar on "Problems and Prospects of Collateral-Free Banking in Bangladesh" was organised by Bangladesh Institute of Bank Management (BIBM) at its auditorium yesterday.

Prof. Wahiduddin Mahmud, Chairman of the Banking Reform Committee (BRC), Lutfur Rahman Sarkar, former Governor of the Bangladesh Bank, Alauddin A. Majid, BASIC Managing Director, and Dr. Muinul Islam, Director General of BIBM, also spoke at the seminar.

Prof. Yunus said: "We should concentrate more on savings mobilisation, particularly in the rural areas. We need a regulatory framework to remove the existing hindrances and mobilise funds."

"We have skills and intelligence, but we do not have money. Venture capital for the

poor can play an effective role in increasing investment," he added.

L R Sarkar proposed that rural credit should be made collateral-free and fully supervised and a rural development bank could be set up for collateral-free credit programme.

"The existing legal framework is not favourable for loan recovery. When a loan is stuck up, the banks should be given power to seize the assets given as collateral against the loan."

Underscoring the need for extending banking operations in the rural areas, he said: "We are going for class-banking instead of mass-banking."

Prof. Wahiduddin Mahmud said banks now need honest management to tackle the loan recovery problem.

"The inflating costs of machinery is the main problem of the banking system in Bangladesh," he pointed out, adding that as entrepreneurs inflate project costs, they actually plough back their so-called equity participation in projects.

The main challenge for our economy is to make credit available to medium entrepreneurs as the credit demand of the small and medium entrepreneurs remains mostly unmet, Dr Mahmud said.

He said the crop sector can be a viable area for the collateral-free credit programme, where the experience of micro-credit activities is applicable.

Talking about diversification of the banking products, BASIC MD Alauddin A Majid

proposed that a company be formed in the private sector for providing credit guarantee services.

He said private insurance companies can initiate crop insurance schemes to support crop credit.

The mounting default loans prove that collateral system did not work for loan recovery and the traditional banking system had created a handful of millionaires in the country, said BIBM DG Dr. Muinul Islam.

On the other hand, the success of micro-credit operation proves that collateral-free credit is viable.

Dr. Bandana Saha and SM Ansan Habib of BIBM presented a paper on the topic.

They said banks are not as successful as the micro-finance institutions (MFIs) in providing small collateral-free credit to the low-income people.

"It is essential to promote integration of the banks, MFIs and the informal sector to improve efficiency of collateral-free credit operations, especially in the rural areas," they said, adding that some linkages among banks and NGOs already exist.

It would be appropriate for the Bangladesh Bank to take a more pro-active role in encouraging such linkages by issuing clear guidelines which banks could follow. Moreover, linkage programmes should be developed to take the advantage of lower transaction costs of the informal sector lenders, they observed.



Sethu Venkateswaran, Chief Executive of Bangladesh of Standard Chartered Bank, makes his presentation before the invited guests on the occasion of the beginning of the construction works of its new branch in Sylhet recently. — StanChart photo

Snap polls shatter Lankan economic revival hopes

COLOMBO, Oct 24: Sri Lanka's war-battered economy is heading for more trouble in the New Year after the government called a snap presidential election and dashed hopes of painful but essential reforms, financial analysts have said, reports AFP.

President Chandrika Kumaratunga's surprise announcement to call elections before her six-year term was up in November next year forced the government to cancel its planned budget for 2000 and look for ad hoc measures to finance urgent expenditure for three months.

"The economy is in an abyssal state," former finance minister and opposition stalwart Ronnie de Mel said. "Even if they wanted to have a budget next month, they

would not have got foreign aid, which is essential."

De Mel said a planned December meeting of Sri Lanka's international aid donors in Paris was now highly unlikely because of the elections, which were due before mid-January.

"No sensible donor will pledge any money to a government at the very end of its term in office," said de Mel who has presented 11 budgets under previous UNP administrations.

The opposition United National Party (UNP) expected to be able to revive the economy by the end of next year if it was returned to power, said de Mel, who implemented liberalisation plans in 1978 to make Sri Lanka the first South Asian nation to adopt a market economy.

Sri Lanka's Central Bank

governor A.S. Jayawardena said he was still working on the basis that the December aid group meeting would go ahead and even if it did not, aid for Sri Lanka had already been pledged.

The governor said the election would offer a "golden opportunity" for political parties to seek a mandate for tough reforms needed to boost the economy, which has been battered by 27 years of war with Tamil separatists.

The International Monetary Fund (IMF) in its latest report on Sri Lanka made clear that the country faced tough choices and prospects remained bleak.

"The near-term outlook is somewhat less encouraging," the IMF said in its Public Information Notice released Friday.