

Delay in settlement of credit sales hinders SME growth

BB governor calls for introduction of factoring

STAR BUSINESS REPORT

Delays in settlement of credit sales are heavily affecting the small and medium enterprises (SMEs) as these firms have limited financial leverage, Bangladesh Bank Governor Salehuddin Ahmed told a seminar yesterday.

"Credit sales average about 72 percent of the total sales in Bangladesh and are settled within an average period of seven months. Such delays are affecting the SMEs," he explained.

"Growing industrialisation in Bangladesh indeed makes this problem even more serious as credit sales are essential in a buyer-dominated economy such as ours," the governor said at the seminar on 'Introduction of Factoring for SME Finance in Bangladesh'.

The central bank and the SouthAsia Enterprise Development Facility (SEDF) jointly organised the

seminar at Dhaka Sheraton Hotel to launch operational guidelines on domestic factoring for local banks and financial institutions.

The governor said in spite of their economic importance, SMEs suffer from acute shortage of working capital due to delayed payment of their receivables by large and medium-sized firms as well as public sector enterprises and government departments.

Besides, reluctance of banks to extend credit facilities and lack of expertise within SMEs in financial management in general are also some of other factors that are hindering the growth of SME, he pointed out.

Citing examples of factoring, he said globally it is a big business and presently available in 59 countries across the world. The world's total factoring volume now stands at US\$1,161 billion.

The most dramatic regional

growth of factoring in recent years has been in Asia-Pacific area where over the past five years domestic factoring has grown at 25 percent annually, Salehuddin added.

Factoring should be introduced in Bangladesh as early as possible with a dual objective of expanding the financial market and development of SME sector, he noted urging banks and financial institutions to introduce this financial product and make it available to the SME sector.

This will result in healthy growth of the SME sector, additional employment, poverty alleviation and also achieving other major targets of Poverty Reduction Strategy Paper (PRSP), he mentioned.

Speaking at the function, Anil Sinha, general manager of SEDF, stressed the need for introducing such new financial products as factoring for SME finance in the local financial market.

He also stated that the SEDF will continue to bring internationally best practices to Bangladeshi financial institutions.

Murshid Kuli Khan, executive director of the central bank, stated that the guidelines for domestic factoring have been prepared keeping in mind the realities of financial market prevailing in Bangladesh. The guidelines cover policy issues, procedural aspects, risk analysis and mitigation and pricing structure.

Gilles Galludec, programme manager of SEDF, said in developing countries such as Bangladesh, the need to strengthen the SME sector is of vital importance as the sector provides huge employment and wide dispersal of economic development.

He applauded Masud R Nizami, financial market specialist of SEDF, for his pioneering role in the introduction of factoring in Bangladesh.

DSE opposes ADB proposal for merger of bourses

BDNEWS, Dhaka

The Dhaka Stock Exchange (DSE) yesterday rejected an ADB proposal for merger of the two stock exchanges, but agreed to consider a demutualisation after a study of similar actions in neighbouring countries.

The views were expressed at an emergency meeting of all the DSE members called to discuss the ADB (Asian Development Bank) proposal made in a mid-term report on the proposed Capital Market Governance Programme (CMGP).

Sources said the DSE will officially disclose its position today at the SEC-ADB workshop on merger and demutualisation of Dhaka and Chittagong stock exchanges.

The DSE members opposed the merger, as they found the action going in favour of the Chittagong Stock Exchange (CSE) because of its small market size.

The members, however, agreed to consider the demutualising plan after studying the consequence of its implementation in Pakistan and India, the sources said.

The Indian and Pakistani stock exchanges are now undergoing demutualisation.

A DSE official said the ADB frequently changes its position. The Bank, which granted US\$80 million for capital market development, earlier proposed creation of more bourses, he added.

Under the CMGP, the ADB is expected to give US\$120 million in credit to the government. The programme is to start next year.

Sources said the ADB report also recommended separation of the capital market management from the shareholders.

Rangpur Foundry declares 15pc dividend

Rangpur Foundry Ltd has declared a 15 percent dividend for its shareholders for the year 2004.

The dividend was approved at the 25th annual general meeting (AGM) yesterday in Dhaka, says a press release.

Chairman of the Board of Directors of the company Mahtabuddin Ahmed presided over the AGM, which was also attended by directors Amjad Khan Chowdhury and Sabina Amjad, Executive Director ATM Nasiruddin Mahmud and Company Secretary SM Shahirul Wahid.

Cat's Eye celebrates 25th anniversary

Cat's Eye, a local apparel brand, organised a press conference in Dhaka yesterday to mark its 25th founding anniversary, says a press release.

Speaking at the function, officials of Cat's Eye said the company is thriving, although there is stiff competition from foreign apparel brands.

Last year, more than 35,000 pieces of Cat's Eye brand products were sold, the release said, adding that the company, which continues to provide its clientele with comfortable and stylish clothes, is now getting positive responses from foreign buyers especially from US and Malaysia.

Opec raises production quota to 28 million bpd

AFP, Vienna

Opec decided on Wednesday to raise its production ceiling by 500,000 barrels per day to 28 million bpd on July 1, Saudi Arabian Oil Minister Ali al-Nuaimi and his Nigerian counterpart said.

"It is done," Nuaimi told reporters as he came out of the cartel's ministerial meeting in Vienna.

Ministers on Wednesday also gave OPEC president Sheikh Ahmed Fahd al-Sabah the option of calling a second quota increase of 500,000 barrels per day by September if necessary, a source close to OPEC said.

"I have heard they have agreed on a 500,000-barrel increase from the first of July and the president has been given a mandate to increase the quotas by another 500,000 before September, the source said.

Viral disease taking toll on Satkhira shrimp farming

ABU AHMED, Satkhira

Shrimp cultivation is being affected alarmingly as a viral disease, 'white spot', has broken out in an epidemic form in almost all enclosures in the district caused by climatic change and severe hot wave persisting for the last few days.

Thousands of shrimp cultivators have already incurred about Tk 200 crore losses following the outbreak of the disease, industry people said.

According to local cultivators, widespread virus infection has brought about a disaster in the shrimp cultivation this year.

Shrimps have already been destroyed in almost all the enclosures. Industry people also said environment pollution, bacteria infection, virus attack, severe

heat, and inferior fishmeal are taking toll on shrimp farming.

Some farmers alleged they are not getting advice from the District Fisheries Department to combat the disease. However, an official of the fisheries department said any vaccine is yet to be discovered to combat the disease.

Liakat Hossain, a farmer of Shyamnagar upazila, said shrimps with white spot signs die within three to four days.

Nurul Amin, a cultivator from Assassuni upazila, said shrimps usually remain in natural condition in the enclosure in 28 to 32 degree Celsius temperature but the temperature has risen to 35 to 36 degree Celsius in recent days.

Due to such temperature, disaster has occurred in shrimp cultivation in the district.

The viral disease has broken out severely in Kaliganj, Tala, Debhata, Shyamnagar, Assassuni and Sadar upazila, Amin added.

However, Zakir Hossain, an expert in shrimp cultivation, said release of virus-free fry, good quality fishmeal, nursing and training of farmers may free the shrimp industry from virus attack.

Abdul Wahed, district fisheries officer, said the attack of the virus has now reduced. "Due to environmental degradation, disaster appears in shrimp cultivation."

According to the District Fisheries Department, about 12,068 shrimp enclosures have been set up on 47,576 hectares of land in the district. Over 13,426 people are directly involved in shrimp cultivation in the district.

Leasing firms seek waiver of tax deduction at source

STAR BUSINESS REPORT

Bangladesh Leasing and Finance Companies Association (BLFCA) yesterday urged the government to waive the proposed 10 percent deduction of tax at source on the interest income of Term Deposit Receipts (TDRs) of financial institutions.

Leaders of the BLFCA have also called for restructuring the corporate tax on non-banking financial institutions in the new budget.

Deduction of tax at source will directly hit financial institutions in securing term deposits from individuals and institutions, said BLFCA Vice-chairman Anis A Khan at a post-budget press conference in Dhaka.

The BLFCA leader said financial institutions have a very limited scope to mobilise deposits and the total deposits with them are insignificant compared to the banks.

Besides, financial institutions can only accept high-cost TDRs

with one-year tenure and above, while the banks can take deposits for any tenure and have access to low-cost and free funds as part of their normal banking operations, he added.

"The government will not lose much if financial institutions are not required to deduct tax on TDRs at source as income is not exempted from final income tax payments," he observed.

Regarding the corporate tax on non-banking financial institutions proposed in the new budget, the BLFCA leader said there should be a difference in tax rate between publicly traded and non-publicly traded financial institutions to encourage listing of securities and promote growth of the capital market.

In the proposed budget for the FY2005-06, tax rate for publicly traded companies is 30 percent and for companies, which are not publicly traded, the rate has been fixed at 40 percent. But, the tax rate for banks, insurance companies and financial institutions has

been fixed at 45 percent.

It is not justified to keep the banks and non-banking financial institutions in the same tax bracket, since the banks have multiple sources of income including interest income and fees and commissions from different products and services, the BLFCA leader said.

"Tax rate for publicly traded financial institutions should be 30 percent and non-publicly traded financial institutions should be 40 percent," he said.

It has been proposed in the budget for the FY2005-06 that doubtful debts and interest thereon made by a commercial bank will be allowable expense up to 1 percent of outstanding loans including interest on them, Khan said.

"The same provision should be incorporated for financial institutions since we are carrying on business in the same market and paying tax at the same rate (45 percent) as that of the banks," he added.

Bangladesh Lamps okays 25pc cash dividend

Bangladesh Lamps Limited, the official licensee of Philips Electronics NV Holland for lighting products and manufacturer of Philips electric bulb, has declared a 25 percent cash dividend.

The dividend was declared at the 44th annual general meeting of the company held in Dhaka Tuesday, says a press release.

Latifur Rahman, chairman and managing director of the company, presided over the meeting, which was also attended by Shahzad Rahman, Saifur Rahman, Atiqur Rahman, Shamsur Rahman and Obaidur Rahman Khan.

The meeting also approved the annual report and accountants of the company for the year that ended December 31, 2004.

Shipping corp announces 5pc dividend

STAFF CORRESPONDENT, Ctg

Bangladesh Shipping Corporation (BSC) announced a 5 percent dividend for its shareholders for the FY 2003-04 at the 27th annual general meeting of the corporation held here yesterday.

The other five withheld AGMs were also held on the same day. The AGMs are 22nd AGM for the year 1998-1999, 23rd for 1999-2000, 24th for 2000-2001, 25th for 2001-2002 and 26th for 2002-2003.

Shipping Minister Akbar Hossain, also the president of BSC Board of Directors, presided over the AGMs, while BSC Acting Secretary M Shahidul Alam was also present.

BSC earned a net profit of Tk 15.25 crore in 2003-2004 fiscal year.

Xerox launches 31 new products

BDNEWS, Dhaka

Xerox Corporation, a US-based IT company, yesterday launched 31 new products, including copier, scanner and printer for the country's market.

Science and ICT Minister Abdul Moyeen Khan inaugurated the products at function in Dhaka.

The new set of products will be retailed through its sole distributor International Office Equipment (IOE). The new products include, 7 mono laser printers, 5 colour laser printers, 16 MFDs, 3 DLP projectors, 5 scanners and 2 laser fax.

With launching of the new products Xerox will have a total of 60 document management products in portfolio in the country. According to the authorities, Xerox has also identified colour and inkjet to laser conversion as key priorities for its Bangladesh operation.

Andrew Horne, Xerox South Asia chief, Natesh Mani, director (South Asia operations) of Xerox Corporation, and Aftabul Islam, president and chief executive officer of IOE, spoke at the function.



Bangladesh Governor Salehuddin Ahmed speaks at a seminar on 'Introduction of Factoring for SME Finance in Bangladesh' jointly organised by the central bank and the SouthAsia Enterprise Development Facility (SEDF) in Dhaka yesterday.

Cut in farm subsidies needed Says WB chief

REUTERS, Bobo-Dioulasso, Burkina Faso

New World Bank President Paul Wolfowitz said Tuesday the key to helping Africa's poor cotton growers was to cut the subsidies paid to US and European agriculture producers.

On a tour of a cotton-processing factory in Burkina Faso, Wolfowitz said the World Bank would have a "strong voice" at the Doha trade talks to make a case for wealthy nations to reduce agricultural subsidies worldwide.

The subsidies cut into revenues of impoverished countries like

Burkina Faso, one of Africa's biggest cotton growers.

But on his first visit to the continent since taking the reins of the development lender two weeks ago, Wolfowitz did not indicate if he would personally weigh in on the matter as a former influential insider of the Bush administration and the Pentagon's second-ranking official.

Developing countries complain they are pushed out of the market by the subsidies rich nations pay their cotton farmers, and argue the huge subsidies to US cotton producers -- which at \$4 billion are larger than the whole Burkina Faso economy -- are the cause of a collapse in cotton

prices.

"The key to tackling the problem of cotton subsidies, which obviously hurts farmers here in Burkina Faso and in other poor countries ... is to tackle agricultural subsidies across the board (in the Doha trade round)," Wolfowitz said.

"We will have a strong voice in favour of reducing subsidies worldwide," he said.

The landlocked West African country, one of the world's poorest nations, overtook Mali this year as West and Central Africa's leading cotton producer by growing 630,000 tonnes.

Handloom product fair in Bogra pulling huge crowd

HASIBUR RAHMAN BILU, Bogra

The month-long handloom product fair in Bogra town is pulling huge crowd everyday.

Traders from Rajshahi, Pabna, Dhaka, Jamalpur, Khulna, Rangamati, Comilla, Tangail and Bogra are displaying their products in over 100 stalls.

Sari is the most attractive item in the fair, organised by Bangladesh

Handloom Board, at Edward Park in the town.

The prices of saris are reasonable in the fair, said Yesmeen Rahman, a housewife. Saris are selling between Tk 300 and Tk 15,000 apiece depending on variety and quality, she added.

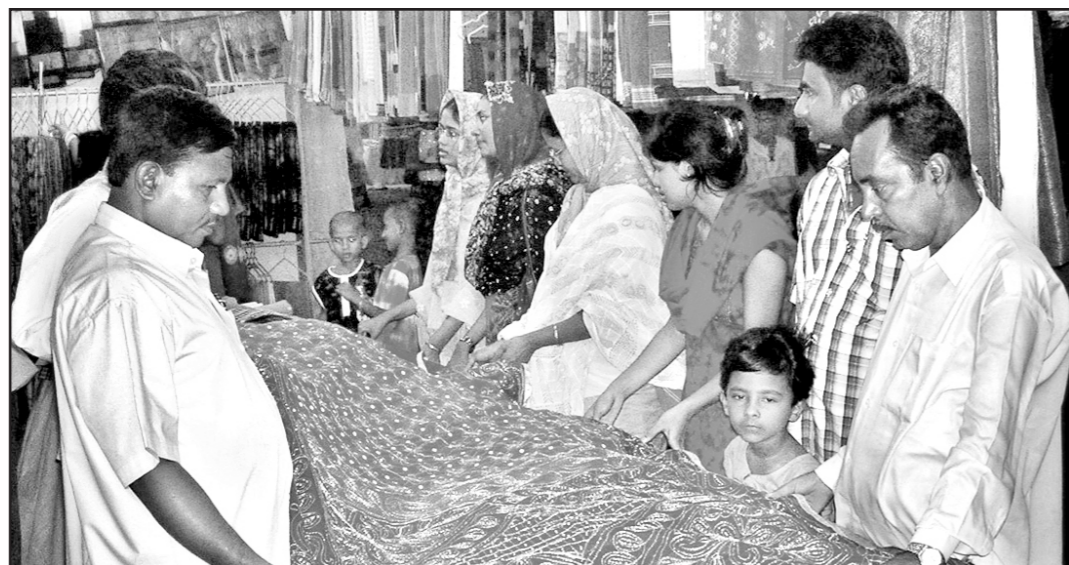
Organisers of the fair, which was inaugurated on May 29, are also happy with the responses from buyers. They said average sales in

the fair stand at 5 lakh a day.

Abdul Gani Miah, president of the fair organising committee, said buyers' first choice is sari. But lungi, baby garments and shirts are also in great demand, he added.

Iqbal H Chowdhury of Boyon Textile stall said sellers are getting good response in the fair.

A lungi sells at Tk 150-Tk 250, baby garment Tk100-Tk500 and shirt Tk 200-Tk 350 in the fair.



Visitors take a close look at a sari at a stall in the month-long handloom product fair in Bogra.