Star Business

DHAKA SUNDAY MARCH 23, 2008

Stocks

DGEN 1.30%
3,025.48

CSCX 1.35%
5,031.74

(Thursday closings)

Asian Markets

MUMBAI Closed

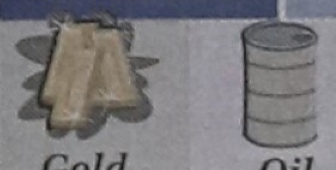
TOKYO 1.81%
12,482.57

SINGAPORE Closed

SHANGHAI 0.20%
3,796.58

(Friday closings)

Commodities



Gold
$925.75
(per ounce)

Oil
$101.84
(per barrel)

SOURCE: AFP

More News

Rajshahi potato growers in trouble

Potato growers in 16 districts of Rajshahi division are in great trouble due to lack of storage facility following a bumper production of the crop.

The farmers have harvested around 58 lakh metric tones of potato in the region but there have been only 130 cold storage, which can preserve only 10 lakh tonnes, agriculture department sources said.

BTTB asked to get licences for internet

The country's telecoms watchdog, BTRC, has asked state-run telecoms operator BTTB to receive licences for operating international call termination and internet services.

B-3

International

The Toyota Fuel Cell Hybrid Vehicle is seen at a preview at the New York International Auto Show recently.

S Korea's per capita Income tops $20,000

Recently released data by the central bank showed that the South Korea's per capita income surpassed US$20,000 for the first time ever last year on the back of strong exports and a weak dollar.

B-4

Bangla Biz Lexicon

BORO-the principal rice crop of Bangladesh in terms of production. The rice is generally cultivated in March-May cropping season. In 2006-07 fiscal, Boro production was around 160 lakh metric tonnes.

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Private banks going rural to tap business potential

SAJJADUR RAHMAN

Private commercial banks (PCBs) are increasingly penetrating into rural Bangladesh to tap business potential, according to sources in the banking sector.

The business prospects bankers think in rural areas include remittances, agriculture and small credits and possibility of attracting more deposits.

"We've made profit in rural branches within one year of operation, but it took at least two years in urban areas," AKM Shafiqur Rahman, company secretary of the National Bank Limited, said.

"Deposits are also high in rural areas as the people there are increasingly depositing the money received from their expatriate relatives, but demand less for loans," Rahman said.

The PCBs' move would give a lid to the monopoly specialised and state-run banks were enjoying over rural business for years, according to the banking circle.

BRAC Bank, the fastest growing private sector bank, now awaits the central bank's nod to its application for opening of 140 branches this year. Of which, the bank officials said, most of them would be in rural areas.

Another private bank, National Bank has sought permission to open 25 branches this year, of which at least 50 percent will be in rural areas. Other private banks, including Islami Bank Bangladesh, Prime and Dhaka banks etc have also planned to open more branches in rural areas.

According to Bangladesh Bank, as of 2007, there are 6,576 public and private bank branches in Bangladesh. Of which, 3,839 branches or 58.38 percent are in rural areas and the remaining 41.62 percent in urban areas.

The density of banks in rural areas is more than the urban ones due to specialised and state-run banks, which have 88.59 percent and 63.42 percent of their branches respectively in rural areas.

PCBs are lagging behind with only 27 percent of their branches located in rural areas, according to the central bank, which in a new directive has recently asked the PCBs to open branches in rural areas.

Currently, banks are obliged to open their urban and rural branches at a ratio of 4:1. But recently PCBs are going at faster pace in terms of opening rural branches.

National Bank set up 10 branches in rural areas out of the 25 it opened during 2006-07, meaning 40 percent of the branches are in rural areas.

BB data shows 72 new branches were opened in rural Bangladesh in the last one year. Of which, 61 branches, or about 85 percent, belong to private banks. The number of PCB branches in 2006 was 429, which stood at 490 in 2007.

The National Bank Limited plans to go faster for rural expansion targeting net business from remittance services.

"If we get permission to open 15 branches this year, we'll set more than 50 percent of those branches in the rural areas," the bank's company secretary said.

He said some of the branches opened in rural areas had been able to show a Tk20 crore deposit within a year of their operation on increased flow of remittance.

"We're contemplating to set up 100 branches in rural areas out of the proposed 140 new branches aiming to explore the potentials of the rural economy," Abedur Rahman Sikder, head of marketing and corporate affairs of BRAC Bank, told The Daily Star.

At present the bank, which started operation in 2001, has 36 branches. For the past three years BRAC Bank has been the country's fastest growing private bank, which has already had over one-lakh SME clients across the country. The bank has disbursed about Tk 4,000 crore to the SME sector in the last three years.

Islami Bank Bangladesh Limited also decided to boost its activities in rural areas by setting up more branches. Accordingly, a scheme--Rural Development Scheme, has recently been introduced to raise the bank's investment in rural economy, its officials said.

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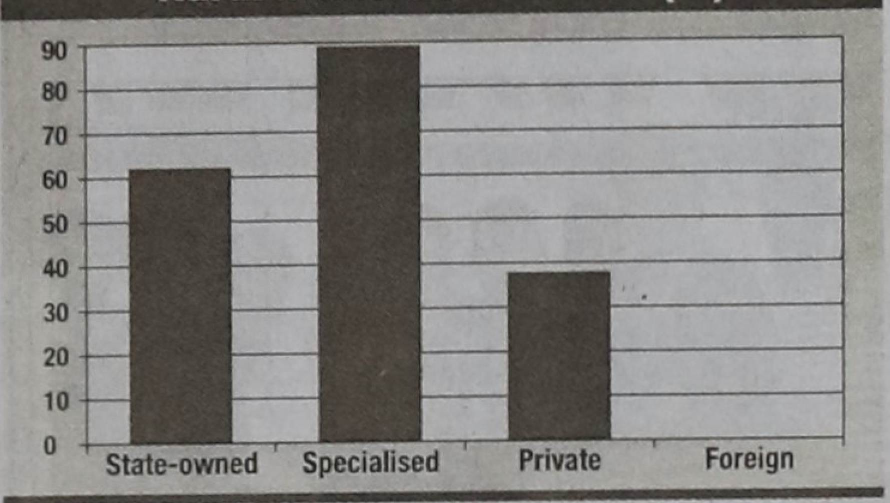
Number of urban/rural branches of banks

Banks	No	Branches	
		Urban	Rural
State-owned	04	1,238	2,146
Specialised	05	155	1,203
Private	30	1,295	490
Foreign	09	49	--
Total	48	2,737	3,839
		(41.62%)	(58.38%)

Source: Bangladesh Bank, as in 2007

Rural branches of banks (%)



Currently, banks are obliged to open their urban and rural branches at a ratio of 4:1.

Chemical price hike, fund constraints hinder growth

RMG dyeing, washing plant owners say

REFAYET ULLAH MIRDHA

The small and medium scale RMG dyeing and washing plants are now facing dual troubles, one is price hike of chemicals and the other is fund constraint, said an entrepreneur yesterday.

Market operators said the prices of chemicals that are used in dyeing and washing plants marked a 30-50 percent rise in the last one year on the rise in petroleum products prices and higher demand and disruption in imports during the political turmoil the country experienced.

"We (small entrepreneurs) are just losing our competitiveness on fund constraints and higher prices of textile chemical in the international market," said Nilufar Siddika, managing director of Showkhin, a medium export-oriented dyeing and washing plant at Narayanganj.

She said before 2006 the prices of washing chemical increased by 5 percent on year-to-year basis, which was tolerable, but after 2006 the prices of such chemical surged 30-50 percent.

She said at present her washing plant with 5 washing, 6 dyeing and 2 hydro machines has a capacity to produce 8000 garment and 2500 denim pieces a day.

Narrating her experience on the attitude of the private and public commercial banks towards lending to the SMEs, Nilufar said these banks are indifferent to the central bank's directive in this regard.

Echoing Nilufar's view on price hike of chemicals, Ahmed Ali, managing director of Padma Bleaching and Dyeing Limited, a million dollar investment plant, said such a price hike will take a toll on the industry and many small and medium scale units are now contemplating shifting their businesses.

He said at present caustic soda, mostly consumed chemical item used in the washing plant, is selling at US$515 a tonne against its last year's $460 a tonne.

Denying the allegation of small entrepreneurs, Farzana Chowdhury, head of SME Banking of BRAC Bank, said they are disbursing loan to small and medium enterprises under the SME scheme.

"We have disbursed Tk4200 crore under the SME scheme since 2002, of which more than 95 percent is collateral-free loan. We have already disbursed Tk 300 crore under the SME scheme this month," she said.

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India reduces duties on rice, edible oils

PALLAB BHATTACHARYA, *New Delhi*

With the inflation inching towards the six percent mark, the Indian government has reduced customs duty on rice and edible oils drastically to rein in their prices in domestic market.

The customs duty on rice has been cut to nil from 70 percent, duties on all crude and refined edible oils were slashed from the existing levels of 52 percent and 75 percent to 20 percent and 27.5 percent.

The measures came close on the heels of Finance Minister Palaniappan Chidambaram's assurance in Parliament on Monday that the government would take all steps, including fiscal actions, to contain inflation.

The duty cut, to be available until March 31, 2009, is expected to help in cushioning the domestic prices of the commodities from the rise in prices in international markets.

Following the duty cut, semi-milled or wholly-milled rice imports would attract nil customs duty instead of 70 percent. Prices of rice have increased considerably from $430 in August 2007 to $590 in February this year.

Spurred by a rise in demand, international prices of edible oils have risen steadily in recent months and domestic prices have also gone up despite two separate rounds of cut in customs duty on palm oil in April 2007 and again in July the same year.

The government has already slapped a ban on export of all edible oils for one year with effect from March 17 this year to help curb rising prices.

The government aims at easing supply-side constraints so that prices of essential commodities and input commodities remain under control by making imports cheaper.

Rising food prices in international market have made it difficult for Indian government to import these items and still check inflation.

India's annual inflation reached 5.92 percent last week, a ten-month high, blighting chances of an interest rate cut, which the industries have been hoping for to spur a slow-down in the economy.

The inflation beyond the comfort level projected by the Reserve Bank of India was driven by rise in prices of edible oils, pulses, fruits, vegetables and spices and has become a matter of concern for the Congress-led coalition government that faces a string of elections to state legislatures in the coming months.

Last week, Chidambaram blamed the inflation on rising international prices of crude oil, commodities and foodgrains.

The Prime Minister's Economic Advisory Council's Chairman C Rangarajan said the inflation rate did not favour an early cut in interest rates to bolster slowing economic growth. The interest rate was hiked nine times since 2004.

UAE looking for new avenues to hire construction workers

India's workers dwindle, Bangladesh's rise

PTI, *Dubai*

The UAE and other Gulf countries, which are facing acute shortage of workers, are looking at countries like Bangladesh and Nepal to get labourers needed to complete mega projects worth a whopping USD 1.9 trillion.

In the past, the majority of the semi and unskilled construction workers were from India, but the number is dwindling since construction industry in India is growing rapidly and with the increasing value of rupee against the dirham, companies are finding it difficult to convince recruits from India to take up jobs in the Gulf.

Recruitment agencies in the GCC are tapping into new labour markets, including Bangladesh, Nepal and Vietnam, in an effort to solve the problem.

Recruitment of workers from Bangladesh has increased by 100 percent compared to previous years, with more workers from the country coming to the UAE during the first two months of 2008 than the whole of 2007.

Riad Kamal, CEO of Arabtec, UAE's leading construction company, says that "it is up to us to try to give the labour force what is due and try to maintain a level of wages that is compatible with the rise of the cost of living and with the currency issues. I think the last unrest was handled by the companies concerned very positively."

There was a massive strike at Arabtec's major project at Burj Dubai in October last year, involving 40,000 workers.

"The rise in the labour wages was natural, and I can't say that anyone was really against it. We are all sympathetic to the issues of wages, and I think it was treated very well. I think there will be more increases in the future and the market should be prepared for it," he said in remarks to Emirates Business.

Asked if the company would like to hire workers from regions other than India in order to limit future unrest, Kamal said, although it is a good thing to diversify the source of labour so you don't rely on one market for all your activity, I think that India will always be a major source of our labour.

"The bulk of the labour source is Indian, and I think that India should be the place for establishing the parameters of compensation and wages. If you bring in labour from Korea or China or Vietnam, you are talking about a different structure of wages and therefore that is not going to solve the problem," he said.

According to a study by the Project Management Institute (PMI), said construction projects in the GCC planned for the next two years would require five million workers.

Majeed Al Gassab, President of the Bahrain Society of Engineers and the Vice-President of the Bahrain's PMI Chapter, said the movement of workers away from the GCC has already started and immediate measures have to be put in place to retain remaining staff and find new sources for recruitment.

An AFP file photo shows Asian workers at a construction site in Dubai. The UAE and other Gulf countries faced with acute shortage of workers are looking at countries like Bangladesh and Nepal to get labourers needed to complete mega projects worth a whopping US$ 1.9 trillion.

Based on the expected workload, it was estimated that construction activities in the Gulf may reach the peak at about 12 billion man hours in 2010. This is equivalent to about five million labourers, said Al Gassab.

It is evident skilled workers are already moving out of the Gulf for better opportunities and it will be a great risk to carry on with inexperienced labourers, he added.

While the shortage is more intense in the semi and unskilled labour sectors, agencies are also finding it difficult to recruit experienced engineers, project managers and architects.

As a result of the crunch, the average salary of a project manager in the UAE has increased from Dh35,000 to Dh45,000, while it has become difficult to find commercial and development managers for even Dh50,000.

The GCC's construction industry is valued at more than USD 1.9 trillion and according to news reports more than 160 construction projects in the UAE alone are delayed because of labour shortages.

Mohammad Jindran of Sharjah-based Overseas Labour Supply said there has been a severe drop of interest from Indian construction workers.

"We do not like to go to India for selection anymore as we only manage to get 30 percent of our requirement."

India and Egypt remain the major exporters of professionals to the Arab world, the GCC states in particular. So the manpower shortage here could be serous with the former two countries witnessing a boom.

The problem is becoming more challenging in India with youngsters avoiding blue-collar industries like steel and entering the information technology (IT) sector en masse, said Suresh Thawani, from India-based Tata Sponge Iron Limited.