



Stocks	
DGEN	▼ 0.61% 2,919.00
CSCX	▼ 0.52% 5,868.03
(Week-on-week)	
Asian Markets	
MUMBAI	▼ 5.73% 9,975.35
TOKYO	▲ 2.78% 8,693.82
SINGAPORE	▼ 3.73% 1,878.51
SHANGHAI	▲ 1.08% 1,930.65
(Friday closings)	

Commodities	
Gold	▼ \$784.50 (per ounce)
Oil	▲ \$69.60 (per barrel)
SOURCE: AFP	
(As of Friday)	

**More News**

**Easy visa for South Asia to enhance trade ties suggested**

The Truth and Accountability Commission chairman has suggested simplification of the visa system between the South Asian regions to ease transfer of goods and enhance trade.

**Stocks face downturn**

Dhaka stocks fell last week amid selling pressure, especially from retail investors. Market operators on Sunday, the opening day of last week, said the retail investors were a bit psychologically nervous over the recent global financial turmoil that prompted them to sell their shares.

**International**

**Credit crisis brings job losses**

Fallout from the financial crisis grew Friday as fresh job losses were blamed on the turmoil and bank chiefs faced a backlash, while stocks closed a tumultuous week with more wild swings.

**Karl Marx classic 'Capital' selling well in crisis**

Whether it is simply a fashion cycle or a sign of the times, books by communist icon Karl Marx are selling well. German publisher Joern Schuettrumpf said Friday, "My sales have been increasing since 2005," said Schuettrumpf on his stand at the Frankfurt Book Fair that was decorated with posters of Marx and Rosa Luxemburg, a German socialist figure.

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## BB wants control on non-productive credit

Policy meet with banks today



Bank clients queue at service counters to withdraw money. As the nation experiences double-digit inflation for years, it proves risky to continue credit to non-productive sectors.

REJAUL KARIM BYRON and JASIM UDDIN KHAN

Worried by high growth in credit to non-productive sectors, the country's central bank in a policy shift will ask commercial banks for lending the sectors that generate employment, farm and industrial output.

Bangladesh Bank (BB) sits today with different banks to convey this message to squeeze non-productive lending to a certain extent in the

backdrop of the debacle in the Western economies due to huge credit inflow for housing and consumers spending.

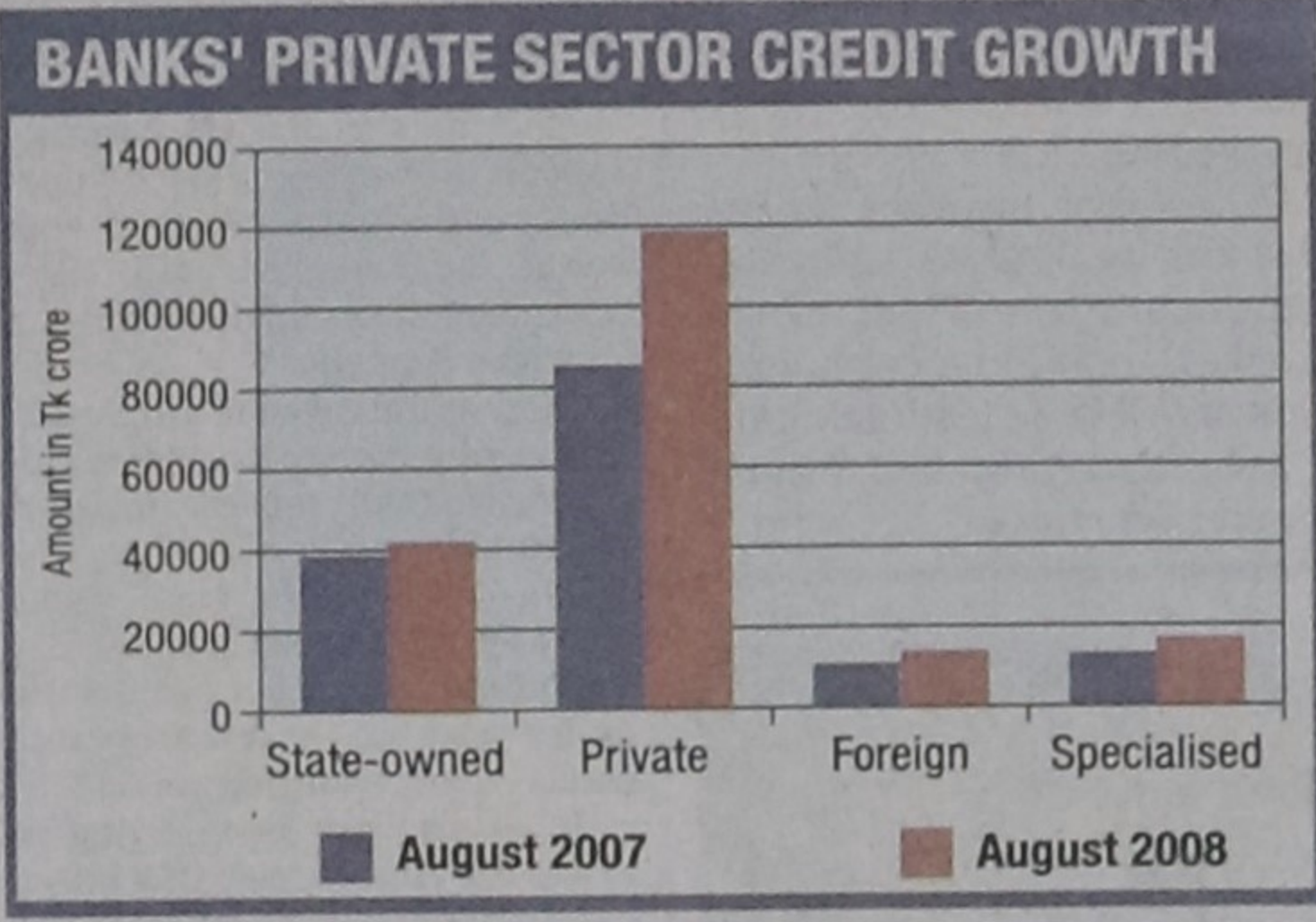
According to a BB review of internal credit situation during June 2007-June 2008, the private sector witnessed a robust growth in non-productive sectors like credit card, consumer products, apartment buying and land purchase, which the central bank considers 'risky'.

"It is really risky to continue credit to the non-productive

sectors when the country is experiencing a double-digit inflation rate for years," a BB high official remarked.

The break-up of the percentages of credit growth on non-productive fronts is: Credit cards-121 percent, consumer products-93.30 percent, land purchase-44.50 and flat procurement-44.12 percent.

As per BB statistics, in the specific period of last one year the average bank credit growth rate was 19.52 percent.



**Top five credit growth scorers as on June 30, 2008**

Bank	Deposit	Credit	Credit growth in %
BRAC Bank	4965.87	4500.19	92.72
Standard Bank	2449.85	2264.26	64.85
Shahjalal Bank	2708.41	2623.95	59.59
Trust Bank	3211.36	2319.31	55.77
UCBL	4542.49	4192.33	46.70

Private commercial banks experienced the highest credit growth of 38.03 percent, while foreign banks witnessed 23.83 percent growth, specialised banks 15.31 percent and state-owned banks 7.63 percent.

BB sources said in line with the existing economic situation 20 percent credit growth is enough.

The central bank wants the banks to adopt a strategy for prioritising agriculture, small and medium enterprises,

## BB spots anomalies in bank services

STAR BUSINESS REPORT

A Bangladesh Bank investigation into the service quality of commercial banks has revealed irregularities.

The report will be placed at a meeting today, where the central bank will discuss customer service standards with the top executives of commercial banks.

Shortages of staff in commercial banks cause a delay in the processing of cheques and cash transactions, according to the report.

The investigation found that long queues are formed inside the bank premises due to a low number of counters, in contrast to the number of clients.

Customers have to wait for long periods of time to deposit or withdraw money. The counters also do not carry any sign that would inform clients about if it was a depositing or withdrawing counter, the report said.

The banks dillydally when it comes to exchanging torn notes. They hesitate to exchange and advise customers to exchange the notes from Bangladesh Bank, it said.

The banks do not also display posters, leaflets or notices regarding the terms of handling torn notes, provided by the central bank, in visible places inside the banks.

The banks also express reluctance to give changes against banknotes.

The report showed the banks hand over bundles of money that contain flyleaf of another bank to clients.

It said the banks also refuse to encash prize bonds and when clients wish to purchase them, the banks turn them back saying that they hold none in stock.

The banks have not set up any box to receive complaints from customers, according to the report.

It also said the banks do not sell savings instruments to customers unless they hold an account in the same bank.

The banks are reluctant to issue DD or PO or TT in small amounts and to customers

**Shortages of staff in commercial banks cause a delay in the processing of cheques and cash transactions, according to the report.**

who have no account in the bank, the report said.

Despite written applications, the banks do not issue DD in US dollars to FC account holders without seeing any specific reason, it said.

The banks also showed reluctance in providing account-opening forms to interested individuals without an 'introducer', even though the interested individuals have demonstrated copies of their ID cards or copies of paid utility bills, the

## Banks may suffer liquidity crunch

Analysts say

STAR BUSINESS REPORT

Banks may face a liquidity constraint due to any delay in repayments from commodity importers for loans and manufacturers may incur losses because of a freefall in inventory value.

"Manufacturers who have huge stocks of commodities purchased earlier at higher prices will face losses because of falling prices. Such losses will affect repayments to banks," said Mahmood Sattar, chairman of Association of Bankers Bangladesh, yesterday.

"If we cannot get repayments against our financing in time, we may suffer liquidity crunch," he said.

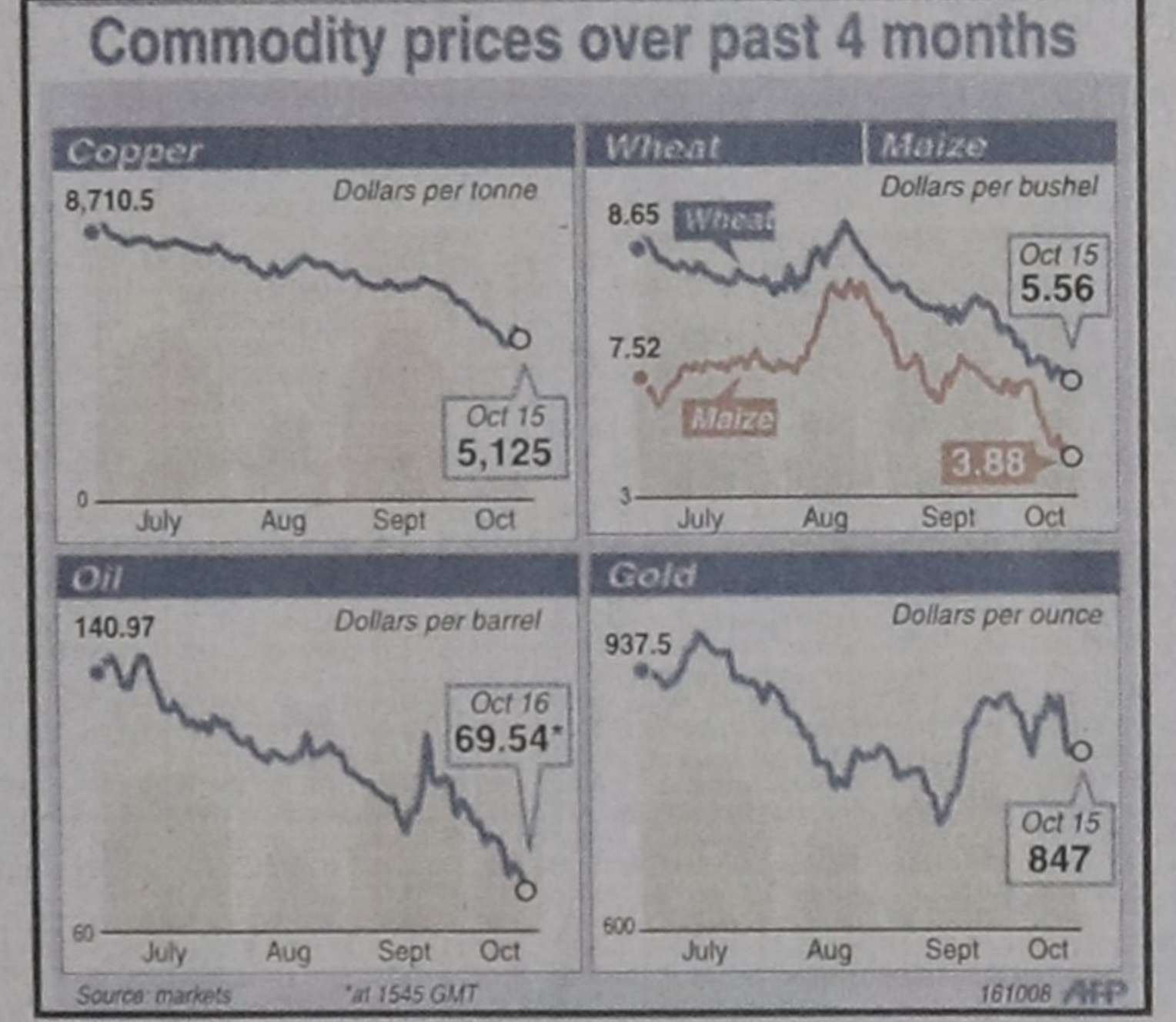
Sattar's remark exposed concerns that played out at a seminar on the global financial crisis and its probable fallout on Bangladesh.

Citibank NA organised the programme at its Motijheel office, where analysts observed that the country's two biggest foreign exchange earners -- exports and remittance inflows -- might hurt if the world economic meltdown that tipped into a recession, prolonged.

The impact on Bangladesh's economy will be minimal as its financial markets are insulated from the global financial markets, analysts said.

A thin portfolio investment in the stock market is another factor that helps Bangladesh remain free from any major shock.

Bangladesh may also benefit from the US recession as exporters generally export cheap garment items to the US more than the expensive ones. Higher labour costs in Bangladesh's trade competitors in the segment may also



help it gain a portion of the market, the analysts added.

Over the last three months, the prices of major commodities plummeted by almost half.

"Edible oil was bought between \$1,000-\$1,200 a tonne. But the current market price is almost half the amount. It has already increased our losses," said Mohammad Abul Kalam, director of TK Group, one of the biggest edible oil importers.

There is a small silver lining: The decline in commodity prices raises the possibility of easing inflation.

"Inflation will come down in future," said MA Taslim, chief executive officer of Bangladesh Foreign Trade Institute, who took part in yesterday's programme. Reduced import costs will also help ease the pressure on the balance of payments, he said.

Zahid Hussain, a senior World Bank economist, however, said new policy dilemmas were likely to emerge if export earnings began to slow and currencies of Bangladesh's competing countries depreci-

## Latest key developments in credit crisis

● **Fallout from the financial crisis grows in the real economy with job losses and a backlash against banking chiefs as shares end a crazy week with a new roller-coaster ride.**

● **Germany's 480-billion-euro bank bailout flies through parliament in a fast-track vote.**

● **Wall Street shares fall at the opening but later rally after weak report on US housing starts.**

● **European stock markets surge in highly volatile trade after a bounce in Tokyo and overnight rally on Wall Street.**

● **The French bank Caisse d'Epargne says it lost around 600 million euros in a derivatives trading "incident" during last week's market turmoil.**

● **Argentina's government announces it has struck a deal with three foreign banks to renegotiate annual payments on part of its 150-billion-dollar sovereign debt mountain.**

● **Smart Union, a big Chinese supplier of toys to US giants Mattel and Disney, goes bust leaving up to 7,000 people jobless.**

● **The head of Germany's biggest bank, Deutsche Bank, tells a Sunday newspaper he is to forego his annual bonus of several million euros (dollars) to show solidarity with staff.**

## No chance for complacency in case of prolonged crisis

Knitwear makers warn



Workers make clothes at a factory. The sector needs to diversify markets and improve productivity to face the possible disaster to be caused by the ongoing financial crisis.

UNB, Dhaka

Brushing aside the notion that the current global financial crisis has brought an opportunity for the country to avail of, President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Fazlul Hoq said Bangladesh cannot avoid the shock of the turmoil if it prolongs.

"There is no reason for complacency on our part, as the poorer sections of the developed countries who are the buyers of our products are going to be largely affected by the economic meltdown," he said.

He was speaking at a press conference organised ahead of the 3-day 4th Bangladesh Knitwear Exhibition beginning tomorrow.

Chief Adviser Dr Fakhruddin Ahmad is scheduled to inaugurate the exhibition at Dhaka Sheraton Hotel.

The BKMEA chief also criticised the government for its

slow move to tackle the possible disaster in the near future. "I'm sorry to say that the government is not giving proper attention to the matter," he said.

Urging the government not to take any decision that might deepen the problem in the country, Fazlul said, "We need to diversify our market and products, and improve our productivity to face the possible disaster to be caused by the ongoing financial crisis."

He went on: "From its side, the government must not take any decision that will worsen the situation. The government might give cash incentives."

Fazlul requested the government to refrain from raising the prices of electricity and gas at the moment. "I'm not against the adjustment of these prices, but I'm in favour of making this adjustment a little bit later, may be after six months," he said.

A number of 56 companies, including two foreign companies, will participate in the

exhibition to showcase their products.

The country to be in focus this year is Japan, which has a market of US\$ 9 billion. "We exported only US\$ 6.4 million of RMG items to Japan; we think we have huge prospects in that country."

He said at least 10 big importers from Japan will visit the fair and seven of them are already in the city.

BKMEA also expects a good number of buyers from the USA, Canada, Brazil, Spain, Germany, Hong Kong, Sudan and Croatia to visit the fair.

Two seminars - one on 'New dimension in world apparel sourcing: Opportunities and challenges for Bangladesh' and another 'Productivity improvement through lean manufacturing: Challenges and Opportunities for Bangladesh knitwear sector' -- will be held during the exhibition.

Prime Bank is the sponsor of the 4th Bangladesh Knitwear Exhibition while Bangla Cat is its co-sponsor.