

## Stocks

DGEN 1.89%  
2,633.82

CSCX 1.45%  
5,256.69

## Asian Markets

MUMBAI 5.62%  
10,337.68

TOKYO Closed

SINGAPORE 5.00%  
1,883.75

SHANGHAI 0.52%  
1,719.77

## Currencies

	Buy Tk	Sell Tk
USD	68.40	69.40
EUR	86.25	90.86
GBP	109.54	114.66
JPY	0.68	0.72

SOURCE: STANDARD CHARTERED BANK

## Commodities

Gold \$735.38  
(per ounce)

Oil \$67.12  
(per barrel)

SOURCE: AFP

(Midday London Trade)

## More News

Credit raters need protection



"Credit rating agencies are like judges, many people depend on their ratings for investment," says Muzaffar Ahmed, president and chief executive officer of Credit Rating Information and Services Limited (CRISL). Ahmed says monitoring is required to make the agencies transparent.

B-4

Reach consensus on economic issues: FBCCI

FBCCI President Annisul Haq yesterday asked the political parties to reach a consensus on economic issues. He also urged the parties to refrain from calling hartal or blockade programmes in the future for the sake of the economy.

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## International

Pakistan leader to seek Saudi aid, might turn to IMF

Pakistani President Asif Ali Zardari said he will seek Saudi support for his cash-strapped country during a visit to the oil powerhouse this week and might turn to the International Monetary Fund for aid.

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## Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at [business@thedailystar.net](mailto:business@thedailystar.net)

# BB warns banks over rate mismatch

STAR BUSINESS REPORT

Bangladesh Bank (BB) has warned banks against discrepancies over interest rates and said any bank found guilty of such offence would face tough action in line with the Banking Companies Act.

The central bank yesterday issued a letter to the chief executives of banks on the issue with its observation that some banks had offered higher rates for depositors than announced.

A senior BB official told The Daily Star that the central bank would send teams to investigate the alleged irregularities over the interest rates.

"You are being advised to comply with the directives of Bangladesh Bank on fixing the deposit rate. If any irregularity is found, the person responsible will be punished under the Banking Companies Act," Bangladesh Bank said in the letter.

"Such activities are being conducted at the banks by higher authorities such as managing directors, deputy man-

ing directors, which is unexpected," the letter alleges.

The BB official said such practice had created an unhealthy environment in the banking sector.

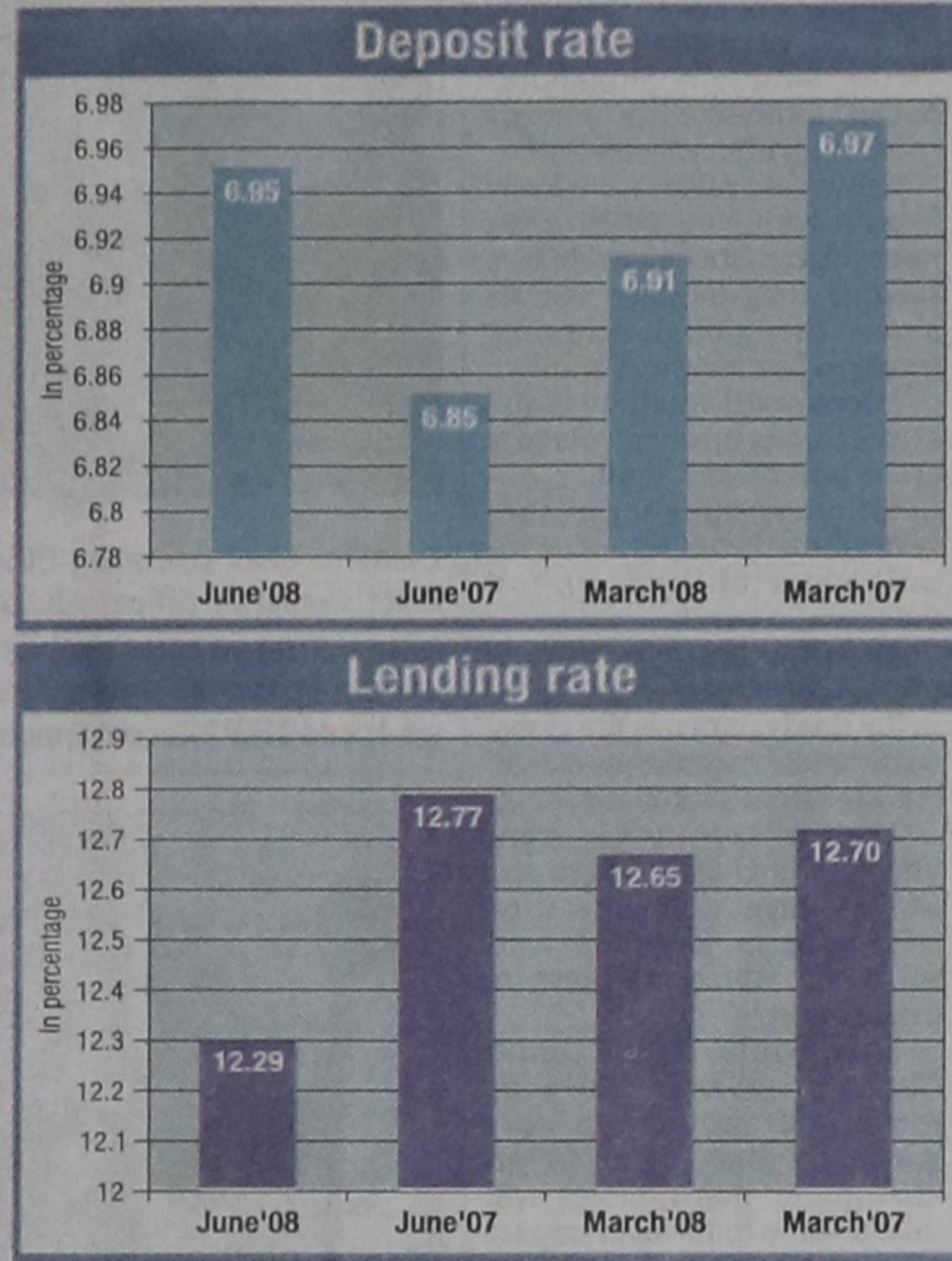
The official alleged that there were some incidents that bankers had bribed government officials into depositing their money into their banks, the official said.

According to statistics updated until June by the central bank, the average lending rate was 12.29 percent and the average deposit rate was 6.95 percent, with the interest rate spread at 5.34 percentage points.

The BB wants to curb the interest rate spread to less than 5 percentage points by cutting the lending rate.

But the move may miss its mark if the banks narrow the rate spread by increasing the deposit rate, said analysts in the banking sector.

According to Bangladesh Bank's directive issued on August 24, 1996, banks must publish the interest rates for depositors.



# BTRC to stop inflow of fake mobile sets

STAR BUSINESS REPORT

The telecom watchdog yesterday decided to form a committee to find out a way to stop the import of fake mobile phone sets in an effort to maximise revenue earnings.

The decision was taken at a meeting of Bangladesh Telecommunication Regulatory Commission (BTRC) with the leaders of the Mobile Phone Importers Association of Bangladesh.

Some importers, BTRC officials and customs officials will be on the committee, a senior BTRC official said.

In the meeting, the BTRC asked the mobile phone set importers not to follow illegal channels.

On average, Bangladesh, a telecom market of 45 million customers, imports eight lakh mobile sets a month with three lakh sets being imported through illegal channels.

Importing spurious sets is not new in Bangladesh. Since the GSM (global system for mobile communication) introduced its phone here, a lot of mobile sets were being imported through

illegal channels.

"Customers are often being duped with spurious sets," said BTRC Chairman Manzurul Alam. He said the revenue earnings from the sector were also under threat, as the unauthorised importers did not pay taxes.

Around 40 percent mobile sets are being sold through grey market, said Faisal Alim, general secretary of the Mobile Phone Importers Association of Bangladesh.

He said brand sets importers are also in trouble. Authorised importers face the trouble as sets being imported through illegal ways are sold at much lower prices in the market, Alim added.

Industry insiders said around 200 importers bring in mobile sets with only 30 belonging to the importers' association.

"We strongly support all the government initiatives to stop illegal imports. Illegal or unauthorised devices coming into Bangladesh have a negative impact on consumer experience," said Prem Chand, managing director of Nokia Emerging Asia.

# Frustrated investors voice protest

STAR BUSINESS REPORT

A group of small investors took to the streets in front of Dhaka Stock Exchange yesterday amid mounting frustration over the continuous fall in stock prices.

The protesters said unfriendly market behaviour by some top merchant banks during the last couple of weeks has had an adverse impact on the overall market.

In the last two weeks, the protesters said, some top merchant banks forced their clients to sell off shares to adjust loans, while some others were selling shares from their own portfolios as well as clients' portfolios even at a loss.

The aggrieved investors said the merchant banks took the absence of top bosses of the Securities and Exchange Commission to their advantage to make the market volatile.

The SEC chairman is in leave for personal reason, while some executive directors are staying abroad for official purposes.

The share prices on the pre-



Police mount guard in front of Dhaka Stock Exchange in Motijheel yesterday after investors took to the streets to protest a continuous fall in share prices.

mier bourse slumped for the fourth consecutive day yesterday. The trading began with an upward trend and in the first 30 minutes the market gained around 40 points. Then the market started falling and continued for the rest of the day.

At around 12 noon, a group of small investors came out of

the nearby trading houses and staged a demonstration in front of the DSE building.

They chanted slogans against the SEC and DSE and demanded steps so that the market gets back normalcy.

The DSE All Share Price Index dropped 42.75 points, or 1.91 percent, to 2,185.45 points

yesterday.

Of the 231 traded issues, only 21 advanced, 202 declined and eight remained unchanged.

Chittagong stocks also marked a fall yesterday. CSE All Share Price Index declined 121.93 points, or 1.48 percent, to 8,111.69 points.

# Regulator sits with merchant banks today

STAR BUSINESS REPORT

The stock market regulator sits with merchant banks and Dhaka Stock Exchange (DSE) authorities today to review the situation of the market, which has been in the red for several weeks.

The meeting was announced a few hours after a demonstration by a group of small investors in front of the DSE yesterday, amid mounting frustration over a continuous fall in share prices.

"We will sit with the merchant bankers and DSE high officials to review the market situation," said a high official of the Securities and Exchange Commission (SEC).

The merchant bankers have been blamed for the current downturn in the stock market.

Earlier at a press conference, the DSE authorities urged investors not to panic over the present falling trend in share prices.

The premier bourse was witnessing a downturn recently mainly because of panic sales by retail investors.

# Fund dearth holds back light engineering

SAYEDA AKTER

Most of the entrepreneurs in the country's light engineering sector have been stuck in limbo to run their ventures due to lack of fund and little access to bank loans.

Many a businessperson said they need to manage fund on their own, cannot get collateral-free bank loans, and the interest rate is very high.

"The first and foremost problem of the sector is lack of finance and investment," said Abdur Razzaque, president of Bangladesh Engineering Industry Owners Association.

He said most of the entrepreneurs are unwilling to take bank loans as the banks charge high interest and are indisposed to offer collateral-free loans.

"The banks charge interests between 17 and 23 percent, which are very high for us since light engineering sector still falls in small and medium

enterprise (SME) category," he said.

Munsur Ahmed, an IPS and UPS devices, and voltage stabiliser manufacturer in Shialbari industrial area in Mirpur, Dhaka, had to suspend his production for the last seven months for fund dearth.

"I had to spend all my savings and even my capital for the treatment of my brother," he said, adding that now it is impossible for him to run the business.

"I could not pay my six employees for months, and then was compelled to tell them to find jobs elsewhere," he said.

"Now I can't also avail of bank loans to restart my business as I have nothing to show as collateral."

Like Munsur, many entrepreneurs claimed only easy access to finance can help them grow.

Currently there are around 40,000 small-scale light engi-

neering enterprises across the country with six lakh people directly involved with the sector, according to Board of Investment statistics.

Hakim Ali, owner of Hakim Works at Mohammadpur in Dhaka, started his business 14

## PART-II

years ago with an investment of Tk 1 lakh.

"It was very difficult to get loan from banks to start a new and small business at that time," he said, adding that the number of private banks was very small then.

"But although many private commercial banks have sprung up by now, their interest rates are yet too high for the SMEs," he said.

Shamsul Haq, owner of Shams Engineering in Mirpur, also started his business without bank loans.

"I sought a Tk 5 lakh loan

from a bank and it asked me for collateral and a guarantor," he said.

"But unfortunately I neither could manage a guarantor nor any collateral," Shamsul said, adding that banks often impose difficult terms and conditions in cases of small businesses for taking loans.

He said he had to manage capital on his own by borrowing, and selling his mother's ornaments.

But the situation seems to be easing a bit now, as BRAC Bank, one of the leading private commercial banks, provides loans to SMEs without collateral.

Abdur Rahman Sikder, head of Marketing and Corporate Affairs of the bank, admitted the high interest rates of the banks, but said recently his bank reduced the rate to 16.5 percent from 18 percent earlier.

He said the bank offers collateral-free SME loan for up to Tk 10 lakh. Any loan over Tk 10



A man deals with machinery at a light engineering firm in Dhaka. Lack of fund and little access to bank loans have stuck many of the entrepreneurs in limbo.

lakh needs collateral and guarantor, he added.

He said his bank has recently set up a separate unit for light engineering sector to work specially on providing loan and ensuring compliance and corporate social responsibility

in the sector.

Currently BRAC bank has 428 SME units across the country, and so far they disbursed Tk 7,500 crore to 2 lakh SMEs.

Apart from bank loans, Bangladesh Bank (BB) has a special fund of Tk 340 crore

that it got from Asian Development Bank for SME sector development. Of the amount, Tk 204 crore has been allocated for SME loans, which will be disbursed through SME Foundation.

Nazeem H Sattar, assistant general manager of SME Foundation, said the foundation is yet to receive any fund from BB.

"We expect to get the fund by the year-end and will start disbursing loans among the SMEs by early next year," he said.

He said once the foundation start disbursing loans, it will enhance the growth of the light engineering sector, which has already been identified by the government as a thrust sector.

Sattar said the foundation has formed a working group to assess the needs of different SMEs, including the light engineering ones, and allocate fund to them.