

Stocks

DGEN	▼ 1.12%	2,438.45
CSCX	▼ 1.27%	4,975.25

Asian Markets

MUMBAI		Closed
TOKYO	▼	0.28% 8,832.85
SINGAPORE	▼	2.47% 1,802.39
SHANGHAI	▲	0.80% 2,439.81

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	89.79	94.53
GBP	98.74	103.81
JPY	0.67	0.72

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	\$877.66	(per ounce)
Oil	▼	\$50.10	(per barrel)

SOURCE: AFP

(Midday Trade)

More News

The invisible hand of microfinance



One bright spot shines in the lives of the poor: microfinance. It is the next best thing for nongovernmental development organisations to fight poverty with -- in a country where 40 percent of the population lives under the poverty line. BRAC, the world's largest nongovernmental organisation, has taken microloans to almost all parts of the country. The purpose is simple, yet urgent: to lift millions out of abject poverty.

B-4

International

Australia announces \$30 billion broadband plan

Australia announced plans Tuesday to build a 30 billion US dollar broadband network, its biggest infrastructure project ever, opting to retain government control rather than contract out the deal.

French state holds 17 pct of BNP Paribas

The French government now holds a 17-percent stake in banking giant BNP Paribas after a capital increase last year worth 5.1 million euros (6.83 billion dollars), the market regulator said on Tuesday.

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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

Rate cut not enough, say businessmen

Loan reschedule hailed

REJAUL KARIM BYRON and REFAYET ULLAH MIRDHA

Terming the central bank's decision on bringing down the lending rate of commercial banks to 13 percent as insufficient amid recession, business leaders yesterday reiterated their demand for a single-digit rate. Businesspeople however hailed the loan-rescheduling move, saying it will help increase cash flow in the industrial and manufacturing sectors.

Against the backdrop of the stretching global financial crisis, the Bangladesh Bank (BB) yesterday decided to cut the lending rate of all types of loans except credit card and consumer loans, and give loan-rescheduling facility without down payment to six sectors -- garment, frozen food, leather, jute, textile and tea.

Presently, the lending rate in the productive sector is 14.75 percent and in case of other loans it is as high as 18 percent.

The existing lower rates (7-11 percent) for agricultural and export loans will remain unchanged, a BB meeting with commercial banks was told.

BB Governor Salehuddin Ahmed told journalists that the central bank has postponed for six months the provision for taking a minimum of 10 percent down payment.

Business leaders were urging the government to reduce the bank interest rate to a single-digit to make the external business more competitive.

In response to their plea, the government formed a 27-member committee headed by Finance Minister AMA Muhith to observe the recession impacts. The first meeting of the committee held on March 24 concluded without any decision.

The BB governor also said they

BANGLADESH BANK STEPS IN ...



- Lending rate has been reset at a maximum of 13 percent
- Six sectors get loan rescheduling facility without down-payment for six months
- The six sectors are readymade garments, textile, frozen foods, leather, jute and tea
- BB mulls minimising cash reserve ratio by 1 percentage point from 5 percent now

will formulate a policy soon identifying some specific sectors for this opportunity. The bankers will provide the rescheduling opportunity on a case-to-case basis depending on the banker-customer relations.

Those who are or will be affected

by the global recession will be eligible for the opportunity, not those who were defaulters from earlier.

Presently 10 to 50 percent down payment of the total loan is required for various types of loan rescheduling.

The BB decided to cut the lending rate to help investment and employment increase amid financial melt-down, a BB high official said.

The BB governor said the lending rate cut is for an interim period and later it may be reviewed.

President of the Association of Banks Bangladesh Mahmood Sattar told reporters after the meeting: "Due to the provision of loan rescheduling without down payment it will take more time to get back the money we used to get earlier."

Sattar also said lowering the lending rate to 13 percent is a big challenge for them. As the lending rate has been cut, the deposit rate also should be brought down, he suggested.

According to BB statistics, presently among Tk 1,91,079 crore loans the amount of miscellaneous loan is Tk 20,733 crore. The rest are for agriculture, industry, trade and others.

Of the Tk 20,733 crore miscellaneous loan, credit card loan is Tk 808 crore and consumer loan Tk 5,539 crore.

In reaction to the lending rate cut, Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association, said a rate at 13 percent is not enough.

"We want the rate at a single-digit or the highest at 10 percent as 13 percent is too high to be competitive," Murshedy said.

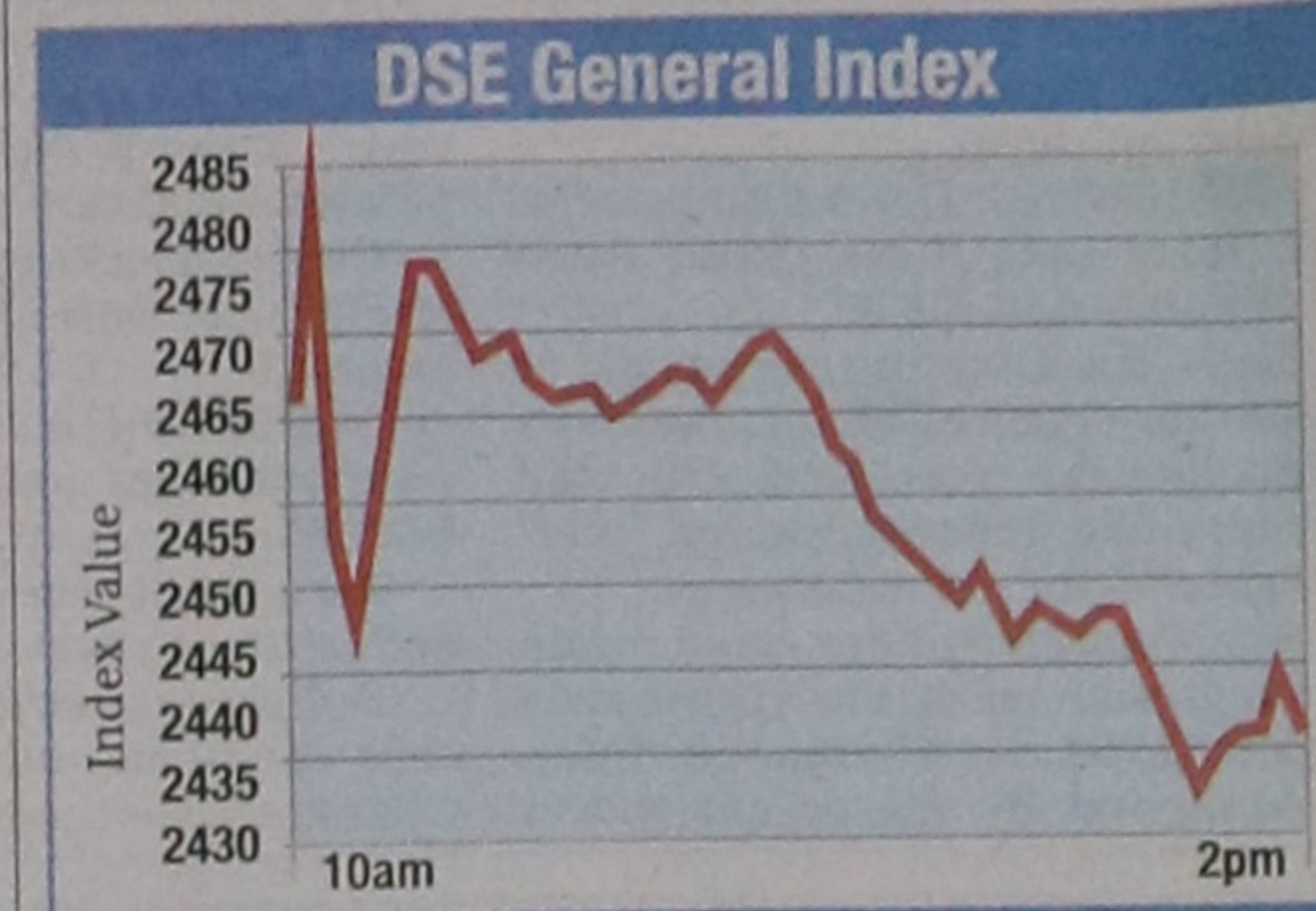
He however said the move is positive as the central bank has given the opportunity of loan rescheduling.

"As a result, cash flow in the industrial and manufacturing sectors will increase manifold."

Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association, vented frustration, saying the rate cut is too scanty.

Anisul Huq, president of the Federation of Bangladesh Chambers of Commerce and Industry, said the central bank should have brought the rate to a single-digit. Huq however hailed the move of loan rescheduling.

Market back in red



STAR BUSINESS REPORT

The market was back in the red from Monday's sudden gain, partly because of interest rate cut by the central bank that prompted bank share prices to go down yesterday.

The benchmark index of the Dhaka Stock Exchange, DSE General Index, fell by 27.71 points, or 1.12 percent to 2,438.44 points. The DSE All Share Price Index also declined by 20.77 points, or 1.01 percent to 2,024.36 points.

Analysts said although the Bangladesh Bank's decision to reduce the lending rate should not leave any impact on capital market investors, they were influenced by the decision.

"The news on the rate cut has apparently impacted the market partly," said M Fazlur Rahman, head of investment banking of AB Bank.

Yawer Sayeed, managing director of AIMS of Bangladesh, however said the market should not be affected by such a rate cut.

Equity Partners Limited, an investment bank, in an analysis also said banks witnessed a little bit of price correction after Monday's sudden surge in prices. "Almost all banks lost today [yesterday] with many of them losing over 5 percent," it said.

The advancers beat the losers by 133 to 99. Six securities however remained unchanged.

A total of 2,38,89,635 shares worth Tk 435.61 crore were traded on the premier bourse.

Summit Power topped the turnover leaders on the DSE, with 3,46,150 shares worth Tk 41.38 crore traded. The day's other turnover leaders were Beximco, Powergrid, Desco, S Alam Cold Rolled Steels, Aftab Automobiles, Eastern Housing, Beximco Pharma, Summit Alliance Port and BSRM Steels.

Chittagong stocks also recorded a fall yesterday. The CSE Selective Categories Index dropped by 63.87 points, or 1.26 percent to 4,975.25 points. The CSE All Share Price Index also declined by 93 points, or 1.19 percent to 7,686.59 points.

A total of 47,94,866 shares worth Tk 68.51 crore changed hands on the Chittagong Stock Exchange. Of the 158 traded issues, 77 advanced, 74 declined and seven remained unchanged.

Beximco topped the turnover leaders on the CSE, with 1,84,400 shares worth Tk 4.46 crore traded. The other turnover leaders were Summit Power, BSRM Steel, AB Bank, Shinepukur Ceramics, Beximco Pharma, Uttara Bank, Eastern Housing, Beximco Synthetics and Titus Gas.

Hopes for recession turnaround take a hit

AFP, Brussels

A grim forecast for East Asia and news of a deeper than feared recession in the eurozone unsettled investors Tuesday and revived fears the current downturn has longer to run.

Following a World Bank report that East Asia would see a sharp drop in growth this year, preventing millions from escaping poverty, there was a spate of disappointing data from Europe.

British manufacturing output recorded its largest annual decline in 28 years, 13.8 percent, in February, when it fell for the 12th straight month.

The Eurostat statistics agency said the 16-nation eurozone suffered a 1.6 percent contraction in fourth quarter 2008, a weaker performance than the 1.5 percent reported in March.

"The negative European GDP numbers were worse than expected," said Manus Cranny, markets commentator at MF Global Spreads in London.

"They are a stark reminder that 2009-2010 is going to be an incredibly tough year."

Near the half-way stage in Europe, the London market had fallen 1.84 percent, Frankfurt 1.21 percent and Paris 1.52 percent. All three wiped out earlier gains.

"Worryingly, it is far from inconceivable that the eurozone GDP contraction was even deeper in the first quarter of 2008, given largely dire data and survey evidence," warned IHS Global Insight economist Howard Archer.

The World Bank in another study meanwhile forecast that Ukraine's economy would shrink 9.0 percent this year and warned that government mishandling of anti-crisis measures could make things even worse.

The ratings agency Fitch said it had placed the long- and short-term debt ratings of another former Soviet state, Georgia, on its negative watch list.

The agency warned that domestic political tensions could hamper efforts to boost confidence and revive momentum despite substantial international financial aid.

In Ireland, the first eurozone economy to fall into recession, the government was to unveil an emergency budget to counter a double-digit unemployment rate and prospects for a 6.75 percent growth contraction this year.

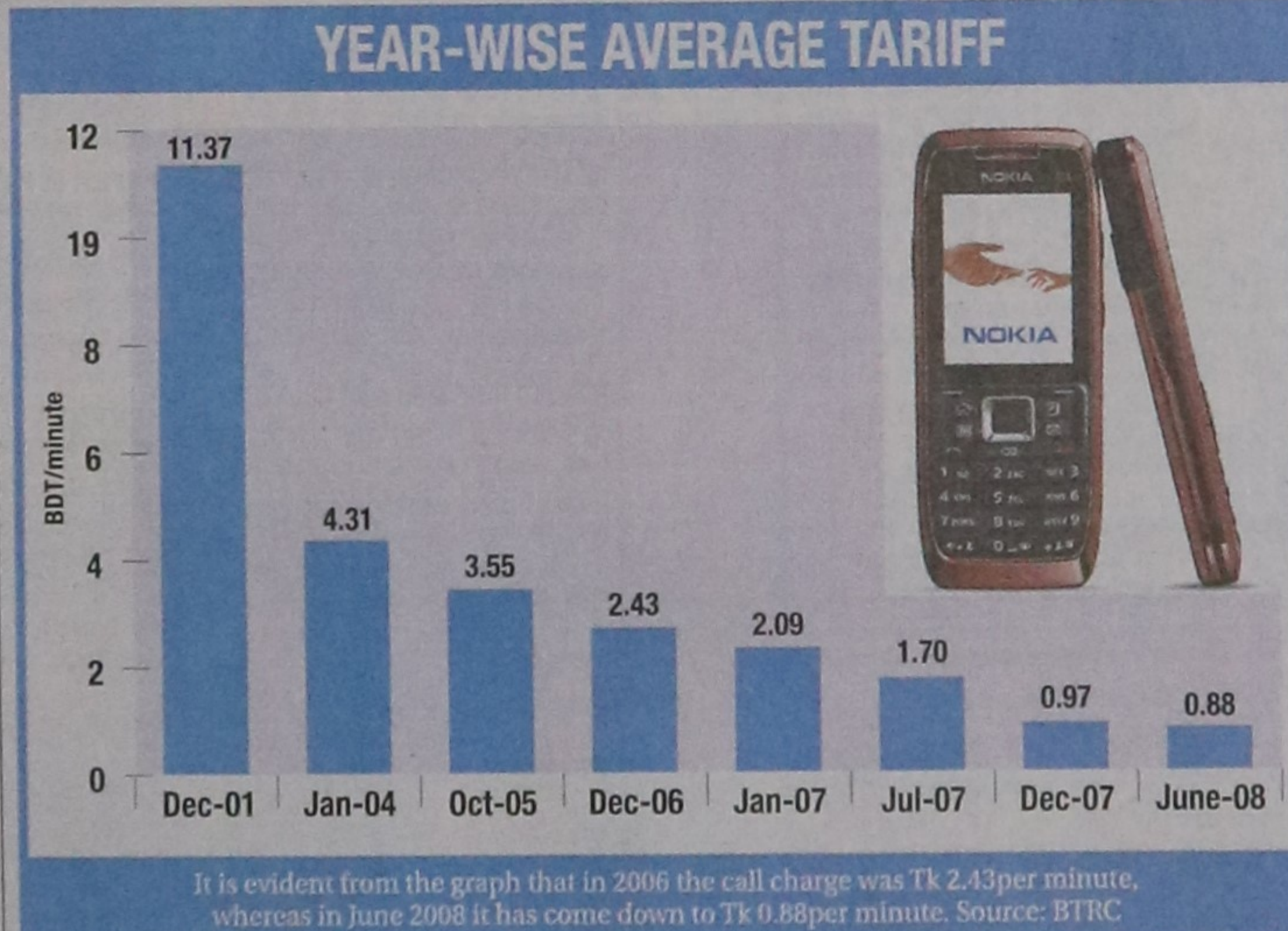
Prime Minister Brian Cowen has said the budget, including tax hikes and spending cuts, will be only a first step on a painful austerity path.

"There is no silver bullet ... that solves the problem overnight," warned Cowen.

Asian markets closed mostly lower on Tuesday as investors took profits from a four-week rally following an overnight slide on Wall Street.

Tokyo lost 0.28 percent, Hong Kong 0.46 and Sydney 1.34 percent as the region's dealers decided to ease up from a buying spree that has lasted since the beginning of March. Singapore gave up 2.47 percent.

Mobile market set for overhaul



It is evident from the graph that in 2006 the call charge was Tk 2.43 per minute, whereas in June 2008 it has come down to Tk 0.88 per minute. Source: BTRC

MD HASAN

Some major mobile operators are adopting a conservative tariff strategy to buck the losing trend that has been continuing for years.

The companies are retreating from their earlier aggressive marketing positions when they had offered intra-operator calls as low as Tk 0.25 per minute, realising that such competition was not a very good business model.

The mobile operators are not even offering subsidised connections anymore.

Market analysts said it was high time for some operators to break even. So, a conservative tariff plan is an obvious, timely step for the market, they said.

Whatever new tariffs the telecom operators may offer, it will bring a negative impact on the untouched rural mobile market, the analysts said.

The top three operators -- Grameenphone, Banglalink and AKTEL -- have withdrawn their Tk 0.25 special tariff. The three operators control more than 90 percent of the market, or 40.14 million customers. The total market size is 45.21 million customers.

The mobile operators had previously charged Tk 0.25. Now they are charging a minimum of Tk 0.40 to Tk 0.49 per minute. Grameenphone and Banglalink have recently increased their 'start-up' prices to Tk 900, which ranged from Tk 450 to Tk

500 a month ago.

"Bangladesh has the lowest call rates in the world, which means that return on investment takes a very long time. This is why most mobile operators today are still not profitable," Ahmed Abou Doma, chief executive officer and managing director of Banglalink, said yesterday.

"Due to these factors, it was not possible for us to continue subsidising the SIM tax. Hence, in line with the practice of other companies, we were left with no other option but to collect the SIM tax from the consumers," he said.

Egypt-based Orascom Telecom's subsidiary Banglalink entered the market in 2005. Even after having the market's second largest customer base, the company is yet to enjoy profits mainly because they had to bear the huge subsidised connection costs.

Right after the company began operations, the government, for the first time, imposed taxes of Tk 1,300 on SIMs (subscriber identification module). The tax amount was reduced to Tk 800 in the 2008-09 budget.

To acquire a sizable customer base, Banglalink undertook aggressive marketing strategies from the beginning and sold each connection for Tk 10 at some point in time. The company had to bear a chunk of the costs to add customers, which ultimately left the company unprofitable.

Along with the connection price, the average

market tariff (per minute) also came down to Tk 0.88 in June 2008 from Tk 1.37 in December 2001, according to Bangladesh Telecommunication Regulatory Commission (BTRC).

The stiff price war among operators also keeps some companies from reaching expected profits, despite bagging a huge number of customers.

On the other hand, massive drives against illegal international call terminations during the last caretaker government's regime refrained the companies from profiting.

Till December 2007, Aktel was churning profits. But after paying a big fine for conducting illegal VoIP (voice over internet protocol) operations, like other companies, Aktel started to incur losses from early 2008.

However, among the top three players, only Grameenphone is now enjoying profits. But it has also revised its tariff plan to continue the trend.

"Grameenphone has consolidated its entire portfolio, ensuring an easier and balanced tariff structure and better service quality for its subscribers. It should be noted that tariff rates in Bangladesh are already one of the lowest in the world," said a high official of the company, after being asked to comment on the tariff hike.

Once upon a time, mobile operators made profits even after paying the SIM tax on behalf of customers, because the per minute call charge was Tk 7, said Fazlur Rahman, president of the Association of Mobile Telecom Operators in Bangladesh (AMTOB). "That is no longer possible by offering calls at Tk 0.25 per minute."

According to him, the market average tariff is now only Tk 0.50, which is the lowest in the world.

Rahman said the main problem is that the majority of prospective mobile customers remain in rural areas, but the mobile companies are not willing to pay the large subsidy to that segment, as the returns from rural areas may not match the returns from the urban population.

"There is no logic behind realising VAT from the connection price. Such barriers will definitely have an impact on growth of the mobile industry in the rural areas," the AMTOB president said.

"If the government withdraws the VAT on mobile connections, more people can come under the tax net by paying VAT indirectly for using mobile phones," observed Rahman.

Grameenphone is the market leader, having 20.94 million customers. The BTRC figures also showed Egyptian Orascom-owned Banglalink has a 10.70 million-subscriber base. AKTEL, majority-owned by Telekom Malaysia International, has 8.598 million users.

The lone CDMA operator Citycell owns 1.85 million customers while the state-run TeleTalk has 0.93 million customers.