Star Business

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Govt mulls interest rate cuts for SMEs

Says Faruk Khan as fair kicks off

STAR BUSINESS REPORT

The government considers a further cut in bank interest rates, especially for small and medium enterprises (SMEs) to help the sector grow faster, said the commerce minister yesterday.

"We have already brought down the interest rate to support the country's entrepreneurs. We are considering reducing the rate further to help different sectors, especially the SMEs, grow faster," said Faruk Khan.

"The government is also considering a special package for the SME sector in the next budget for fiscal 2009-10," he added.

He was speaking at the inaugural ceremony of the fourth SME fair organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at Bangladesh-China Friendship Conference Centre in Dhaka.

The government fixed the ceiling of the bank interest rate at up to 13 percent in April.

"We are hopeful of reducing the rate soon. We are discussing the rate cut at several levels in the government to help new entrepreneurs source capital at a lower interest rate and start a new venture," the minister added.

He said the government is working to ensure capital sourcing at lower interest rate for SME sector and help improve its infrastructure further.

"We have to develop our local industries and boost domestic economy to fight the affects of the global financial meltdown. So, developing sectors including SME are very important to us," he added.

"The government is prioritising the SME sector in the industrial policy that we are framing now. Simultaneously, we will take necessary measures to ensure market for locally produced goods," said Khan.

He said the SME sector plays an important role in export and employment generation, as the country's 98 percent enterprises fall in SME category, and so the government is giving an extra attention to the sector.

FBCCI President Annisul Huq urged the government to implement the federation proposals through the upcoming budget.

"We want to see the implementation of our proposals in the budget. Increasing number of loan defaulters indicates that the impact of global financial meltdown has already started hitting Bangladesh. So, the budget should have a specific solution to this," he said.

Huq said the government should pay special attention to the SME sector, as it is the key component of vibrant economy of the country.

The FBCCI chief said the government should give necessary support for the growth of internal economy and the budget should have a reflection of "our proposals."

"We're going through a tough time because of global recession," he said, urging the government to cut duty on import of raw materials for the SME sector.

"The sector has a great potential and the government needs to nourish it further," he said.

"Although the local entrepreneurs have the ability to produce international standard products, they fail to introduce their products to domestic and global markets due to absence of proper campaign," said the FBCCI chief.

"A lack of funding, high interest rate, erratic power supply and unavailability of raw materials hold back the growth of the sector," he added.

He also identified reluctance of the private banks to give loans to SMEs as a major barrier to flourishing the sector.

A total of 86 local companies are displaying their products at 108 stalls at the four-day show that will remain open to visitors from 10am to 8pm with a Tk 10 entry fee.

The products on display include textile, frozen foods, leather and leather goods, plastic products, surgical equipment, medical machinery, sanitary products, agro-based machinery, bicycle, ceramic and melamine products, software, cosmetics, furniture and jewellery.

Khalil Bin Abdullah Bin Mohammad Al-Khonji, chairman of Oman Chamber of Commerce and Industry, and Abul Kashem Ahmed, first vice president of FBCCI, were also present at the ceremony.

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Commerce Minister Faruk Khan visits a stall after the inauguration of a four-day SME fair at Bangladesh-China Friendship Conference Centre in Dhaka yesterday. The Federation of Bangladesh Chambers of Commerce and Industry organised the show.

Feed industry to come under regulation

SOHEL PARVEZ

A new law is on cards to bring the country's more than two decades old feed industry under regulatory framework.

The move is a safeguard measure to check the production and marketing of any feed having toxic substance risky for human health and environment as well, officials said.

As per the draft law on fish and livestock feed, the usage of antibiotic, growth hormone and pesticides in the poultry, fish and dairy feeds will also be forbidden.

Meanwhile, hailing the government move to enact the law, feed millers feared any misuse might take a toll on the more than Tk 4,000 crore industry.

"Feed makers have been self-regulated since the beginning of their business. Now it's time to bring the sector under regulatory framework to ensure making feeds free of any substance risky for human health," a senior official of the Ministry of Fisheries and Livestock, told The Daily Star yesterday.

The official said the draft law will be placed before t the cabinet soon and expected its passage in the parliament in the next two months.

The move comes as feed business thrives on a gradual growth of commercial farming of poultry, fish and dairy.

Presently, more than 50 companies are active in the business, although over 250 companies have already been registered at the Registrar of Joint Stock Companies and Firms to secure a slice of the yearly demand for about 20 lakh tonnes of feed.

Bulk of the feed goes to poultry farming, with about 10 companies such as Aftab, Quality, Paragon and Kazi controlling majority of the feed market.

Industry insiders said individual companies or processors determine standards of the feeds they produce in absence of any quality parameter.

"Now cultured fish meets majority of domestic demand instead of captured fish. For meat, majority comes from commercial poultry farming. That's why quality control issue has come to the fore," said the official.

Under the proposed law, no persons or companies will be able to produce, process, export and import and marketing of feed without having licenses either from the Department of Fisheries or the Department of Livestock.

The draft law also suggests testing of feeds at quality control laboratories to check nutritional standards.

It also proposed that a consumer be empowered to examine such nutritional aspects of feeds at Department of Fisheries, Bangladesh Standard and Testing Institution and Bangladesh Council for Scientific and Industrial Research (BCSIR) laboratories.

Feed marketers will also need to obtain certificates before importing or marketing any feed.

In case of imports, certification on radiation from the proper authority of exporting countries is also necessary, according to the proposed law that asked for packaging and labelling such as nutritional value of feed ingredients, production and expiry dates etc.

In case of adulteration, the government will be able to confiscate products or machineries of the companies involved.

"The law will enhance government's authority to oversee feed business as well as up the responsibility of feed traders in marketing quality feeds," the ministry official said.

Feed makers however view the issue differently.

Md Kaiser Rahman, chairman of Quality Feeds Ltd, a leading feed maker, said, "Competition in quality is the only parameter in feed business. Companies will lose their acceptance to farmers unless they maintain quality."

The feed law is set to be framed at a time when the government has imposed a six month restriction on fresh water shrimp (galda) exports because of nitro furan contamination.

Moshiur Rahman, coordinator of Bangladesh Poultry Industries Coordination Committee, welcomed the government initiative.

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In line with a draft law on fish and livestock feed, the use of antibiotic, growth hormone and pesticides in poultry, fish and dairy feeds will be forbidden.

BB boss backs BKMEA's demand for rate subsidy

STAR BUSINESS REPORT

The central bank governor yesterday backed readymade garment exporters' demand for subsidy on bank interest rates in the upcoming national budget to combat the global recession fallout.

The demand came as the leaders of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) met Bangladesh Bank Governor Dr Atiur Rahman at his office in Dhaka.

BKMEA President Fazlul Hoque discussed with the governor the latest situation of the knitwear sector and demanded different banking facilities for the sector.

Hoque said the knitwear exporters demanded 5 percent subsidy on bank interest, as the existing rate is too high for them to be competitive in times of recession.

At the meeting, Hoque also proposed the BB extend the loan repayment facility for the RMG sector without down-payment up to June 2010 from September 2009.

The central bank through a recent circular offered the loan repayment facility without downpayment until September 2009.

Hoque said the knitwear exporters also pushed for reducing the banks' service charges for smooth running of the sector.

BB Executive Director Khandakar Muzharul Haque said the central bank has also advised the garment exporters to seek subsidy on bank interest so the private commercial banks do not feel pressure.

"We are also considering whether any environmental fund can be created for giving loan to the manufacturers for setting up effluent treatment plants to protect any environmental hazard," Haque said.

MCCI stresses liberal access to credit

STAR BUSINESS REPORT

Metropolitan Chamber of Commerce and Industry (MCCI) recommended yesterday a liberal access to low-cost credit for small and medium scale industries, agriculture and rural non-farm sectors.

The liberal access to low-cost credit as part of monetary policy will soften the impacts of the global financial crisis on the country's economic growth, the chamber said.

"Monetary policy can play an important role in softening the impacts of the global economic crisis," the MCCI said in its latest publication, Review of Economic Situation: January-March 2009, released yesterday.

It said the main challenge to monetary policy will be to enhance confidence in the economy so as to effect a sustained reduction in interest rates. "Purely national self-interest should be the prime consideration in the policymaking process, particularly in the conduct of monetary policy."

"The falling inflationary pressure in the economy now provides the government with enough policy space for adopting an effective monetary policy, which has become an essential tool in the hands of policymakers," MCCI said.

The chamber said falling domestic demand weakened farm prices and consequently farm income. A substantial slowdown in the export sector caused a decline in private investment and private consumption.

Most of the major economic indicators depicted signs of weakness during the January-March quarter. Export growth slowed down, and domestic demand, both in terms of private consumption and investment spending, also weakened considerably, the chamber said.

The slowdown of private consumption is reflected in the decline in the growth of government's VAT collection, which grew by just 10.1 percent in the third quarter, compared to the 30.5 percent growth in the same quarter last year, it said.

Private investment fell remarkably as indicated by lower investment in machinery as well as the reduced imports of capital goods.

The chamber said imports of industrial raw materials contracted by 1.4 percent in January-March period as against 51.8 percent expansion in the period of previous year. The declining trend in investment in the quarter was in line with weak business sentiment caused by the decline in both domestic and external demand.

The agriculture sector growth decelerated due to lower crop prices. In the industrial sector, particularly in the export-oriented manufacturing industries, production declined.

On the fiscal side, the MCCI said, government's revenue collection increased by a mere 10.4 percent in Q3 of FY09 compared to 24.1 percent in the same quarter of the previous FY.

"The weak revenue performance was the result of negative growth of customs duties and the slowdown in tax revenues from VAT and other taxes. Revenues from travel tax also declined during this period."

The negative export growth witnessed in the second quarter of the fiscal year was reversed in the third quarter, but the nominal 6 percent growth achieved in this quarter was very low compared to the 30.3 percent growth achieved in the same quarter last fiscal year.

Despite the sharp decline in exports, a contraction of import payments caused the trade balance in the Q3 to register a lower deficit. The current account balance showed a sizeable surplus, thanks to a larger amount of remittance transfer, MCCI said.

MCCI SPOTLIGHTS ...

- The services sector, which accounts for about a half of GDP, recorded a lower growth in January-March of 2009, compared to a quarter earlier
- Remittance growth decelerated substantially in Q3 compared to previous quarters
- Import payments in the first two months of Q3 contracted 3.9 percent
- Slowdown in private consumption is indicated by reduced imports of consumer goods, which declined 26.3 percent in Q3
- Production of frozen foods, leather, jute goods, engineering products, electronic products and textile fabrics declined
- The mining sub-sector performed better than in the previous quarter
- The average CPI inflation fell to 8.1 percent in February from 9.4 percent recorded in the previous quarter

Stocks

DGEN	▲ 0.69%	2,570.58
CSCX	▲ 0.63%	5,467.66

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	94.10	99.08
GBP	106.82	112.34
JPY	0.71	0.79

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲ $959.75 (per ounce)

Oil ▼ $60.93 (per barrel)

SOURCE: AFP

(As of Friday)

More News

Dhaka Customs automated

Export-import activities of the Dhaka Customs House (DCH) have gone automated amid hopes of providing prompt and transparent services to the business community. The Tk 6 crore project (the cost of the first phase) is expected to double revenues in the next two years.

Women's chamber suggested for districts

President Zillur Rahman yesterday stressed the need for establishing women's chamber of commerce and industry in every district to involve women entrepreneurs in the mainstream development process. Rahman made the observation when a BWCCI delegation called on him at Bangabhaban.

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International

Indian airlines caught in storm

India's airlines are caught in a "perfect storm" of big losses, high debt and falling demand, and need urgent help from the new government to make them high-flyers again, says an industry report. The struggling sector was once a vibrant symbol of India's economic progress but it has seen its fortunes nosedive due to over-expansion, costly fuel and cut-throat competition.

US, China set to grapple with currency, trade concerns

President Barack Obama's economic pointman makes his first trip to China in the coming week as Washington moves to address persistent currency, trade and investment concerns dogging the two powers. Treasury Secretary Timothy Geithner will be in Beijing June 1-2 to meet senior Chinese officials for discussions on "a range of issues of importance to both countries," his office said.

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