

Stocks

DGEN	0.01%
	2,996.48
CSCX	1.16%
	6,611.97

Asian Markets

MUMBAI	0.43%
	15,074.59
TOKYO	0.58%
	10,585.46
SINGAPORE	1.88%
	2,597.30
SHANGHAI	0.46%
	3,264.73

Currencies

	Buy Tk	Sell Tk
USD	68.42	69.42
EUR	94.82	100.51
GBP	110.83	117.85
JPY	0.69	0.77

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	\$947.70
(per ounce)	
Oil	\$70.89
(per barrel)	

SOURCE: AFP

(Midday Trade)

News in Brief

Tata Motors wins private funding for Jaguar



AFP, London

India's Tata Motors has secured private funding for its British luxury carmaker Jaguar Land Rover, meaning the firm will no longer be seeking state help, the group said on Tuesday.

Tata Motors, which bought JLR last June, said it has secured 175 million pounds (203 million euros, 288 million dollars) of funds from the private sector. It had first approached the government for funding in September.

Bank of Japan holds super-low interest rates steady

AFP, Tokyo

Japan's central bank on Tuesday held its rock-bottom interest rates steady to give the world's number two economy more time to recover from its worst recession in decades.

The Bank of Japan will maintain its stimulative monetary policy for some time yet, analysts said, despite signs that the economic slump is easing. Consumer confidence hit a 20-month high in July, the government said Tuesday.

Japan's economic conditions "have stopped worsening," but much uncertainty remains because of the murky outlook for the global economy, the BoJ said.

Contact Us

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

WB sticks to bank reform push

Mandatory 'training' for directors suggested



REJAUL KARIM BYRON

The World Bank that has prescribed and is funding banking reforms wants such reforms to continue for at least another three years, despite the government's reluctance.

In its report to the finance secretary last month, the international lender recommended a mandatory "training" programme for bank directors to improve governance.

"Discontinuation of the management support at this juncture where these banks are just turning around the corner, and before institutionalisation of reforms, will reverse all gains made in the last three years," the WB said.

"In keeping with the original reform vision, it is recommended that management support be extended for another 3 years, up to the point of divesture," the report further said.

However, Finance Minister AMA Muhith, without turning down the WB intention, has preferred examining the issue. "We will examine how we can carry on bank reforms on its review next October," he told The Daily Star.

The WB stressed further improvement in corporate governance, not only in the state-owned commercial banks, but all banks.

Its report also pointed to specifying bank bosses' duties and liabilities in the Banking Companies Act, keeping record for board proceedings and improving the

quality of board discussions.

As performance depends on the knowledge and skills of directors, it is essential to provide requisite training to current and potential directors and accredit them to create a pool of qualified directors, the report suggested.

The banking sector reforms project under WB finance, taken up during the caretaker government rule, aimed mainly at divesting four state-owned commercial banks.

Accordingly, the banks were transformed into public limited companies where chief executive officer (CEO), adviser and general managers (GM) were picked up from private sector banks offering high compensation packages.

In line with the WB guideline, the bank boards were also reconstituted.

However, the present government has a different point of view with regard to such restructure, especially about high pay structure of these bank CEOs.

Pointing to the government's cautious selection of bank board members, the WB advocated continuation of the restructure practice.

The WB recommended continuation of the present system of appointing CEOs for 3 more years. It asked for making it sure that CEOs have requisite skills and abilities to make marked improvements in bank performance and have also met the targets set by the bank-reform-related working group.

The finance minister does not think that paying a high salary to a person would improve bank governance.

Meanwhile, the WB also suggested the present parliament sign the banking companies ordinance, promulgated by the caretaker government, into a law, making some amendments to it.

It also looked positively to another point in the ordinance, which enabled the central bank to up corporate governance standard in the banking sector. The ordinance authorised the Bangladesh Bank to fix the number of bank board members to a maximum 13 and a 6-year tenure.

Sugar prices spiralling

REFAYET ULLAH MIRDHA

Sugar is getting costlier ahead of Ramadan as its price rose by Tk 4 a kilogramme in three days until yesterday.

Traders blamed the price hike on a poor supply from refiners and delay in import by state-run Trading Corporation of Bangladesh (TCB).

At retail level, sugar was selling at Tk 46-Tk 48 per kg yesterday against Tk 42-Tk 44 three days ago.

The wholesale price went up by Tk 60 per maund (around 37 kg) in the three-day time.

The item was priced at Tk 1,640-Tk 1,650 per maund at the city's largest Moulvibazar wholesale market yesterday.

The price was Tk 1,580-Tk 1,590 per maund at wholesale level three days ago, traders said.

The commodity was selling at \$536-\$540 per tonne in international markets on Monday, importers said.

Abul Hashem, vice president of Bangladesh Sugar Merchants Association, said they were receiving poor supply from the refiners recently.

Moreover, the price has gone up in the international market recently, he said, adding that most of the traders came to know that the import of sugar by the TCB is going to be delayed and the import volume is also small.

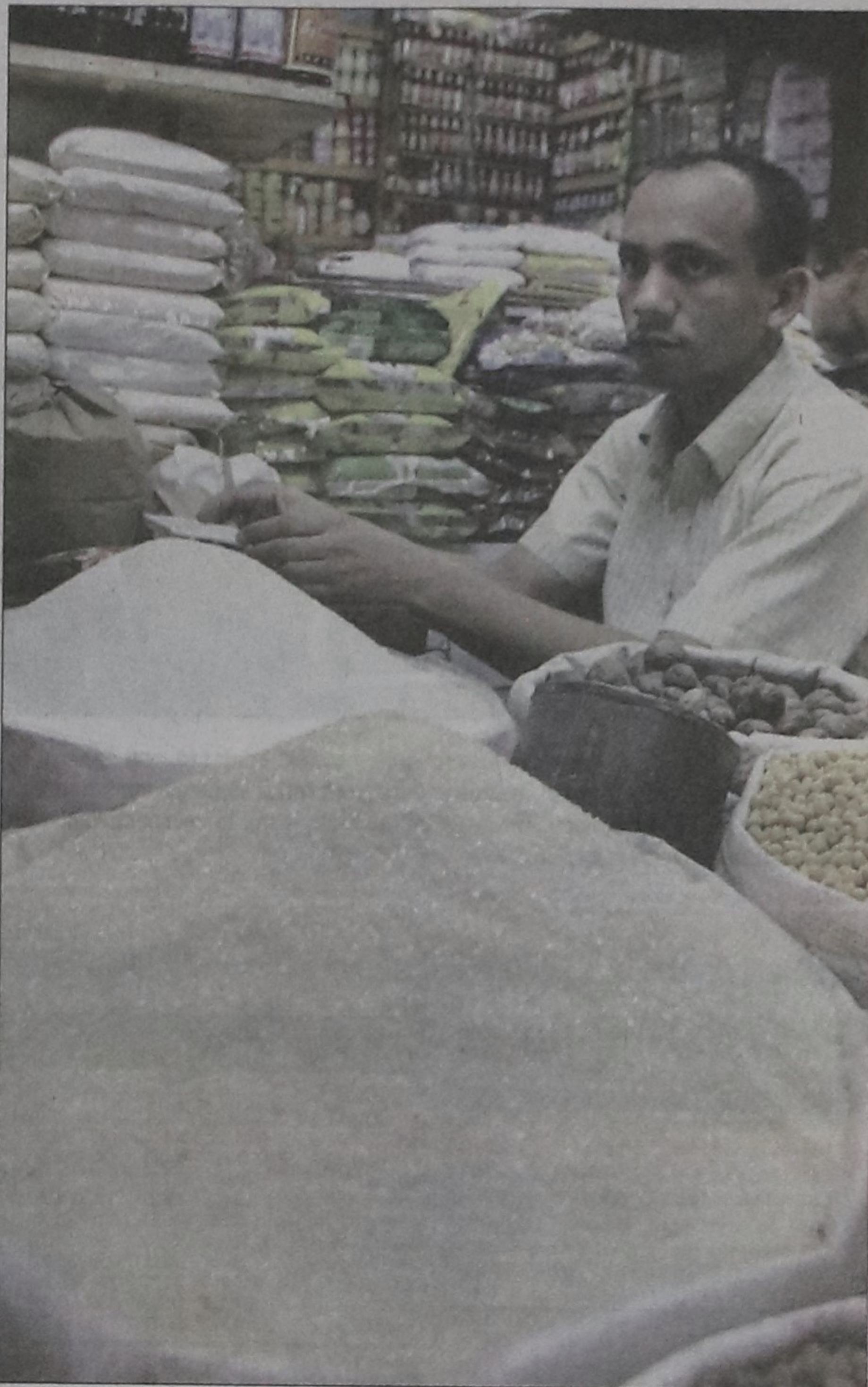
"So the sugar price has shot up," Hashem said.

The TCB is importing 12,500 tonnes of sugar from Thailand targeting the month of Ramadan. But, the arrival of sugar before the month, which will begin only after 10 days, is almost uncertain now as the state-run organisation is yet to receive consignments.

It would take more than 10 days for the item to arrive in the government warehouses from the port of origin, TCB officials said.

When asked, a senior official of Meghna Group, one of the sugar refiners, denied the allegation of inadequate supply to the wholesalers, saying his company sells 1,000-1,100 tonnes of sugar every day.

Also other refiners, including City Group, Deshbandhu Group



Sugars are on display at a shop in a kitchen market in Dhaka. The price of the item rose by Tk 4 per kilogramme in the last three days ahead of Ramadan.

and Abdul Monem Ltd, are also supplying more than 1,500 tonnes each to the wholesalers per day, he said.

"So, there is no problem in the supply side," the Meghna Group official said requesting anonymity.

Rather, he blamed hoarding at the

wholesale level aimed at making a brisk business during Ramadan.

The annual demand for sugar in Bangladesh ranges from 1.2 million tonnes to 1.3 million tonnes and during Ramadan the consumption peaks, he added.

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Left to right, models Nobel and Tarin, singer Jon and model Bindu pose with Ovi-enabled Nokia phones at the launch of "Ovi Share" at Dhaka Sheraton Hotel on Monday. The service gives unlimited storage to users to directly upload photos and videos from their mobiles and computers and share them with their friends and families.

ICCB spells out caution over Basel II

STAR BUSINESS DESK

The implementation of the Basel II accord that went into effect in Bangladesh in January is likely to be a challenge for private banks due to time constraints, said International Chamber of Commerce Bangladesh (ICCB) President Mahbubur Rahman.

Most countries implementing Basel II have experienced a shortage of skilled people in the industry who can understand and implement the sophisticated requirements, he observed.

Rahman was speaking at the inauguration of the daylong ICC workshop on "Globalisation of Basel II: Its Implementation in Bangladesh", organised by ICCB yesterday, according to a press release.

Rahman emphasised the quality of management with appropriate skills for implementation.

According to a Financial Stability Institute survey conducted in 2004 and a follow-up

survey in 2006 on implementation of Basel II in non-Basel Committee member countries, 84 percent of respondents worldwide intended to adopt Basel II between 2007 and 2015. In Asia, 100 percent of respondents intended to adopt it in the same period.

Rahman mentioned that the Basel II resulted in the evolution of a number of strategies to allow banks to make risky investments, such as the sub-prime mortgage market.

Basel II is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by their operations.

The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision, the statement said.

Most large and internationally active banks (except US banks) have already implemented the Basel II. Major multilateral lending institutions such as the World Bank would also

implement it.

Banks in Bangladesh are now allowed to follow both Basel I and Basel II frameworks for 2009 to calculate their capital adequacy, but they will be required to follow the Basel II framework beginning 2010, according to Bangladesh Bank.

Rahman said the implementation of Basel II in advanced countries and multilateral lending agencies that are major lenders to the developing economies would impact their economies.

Timothy D Rees, Citigroup Basel II programme director for Asia Pacific region, and Arman Aziz, resident vice president of Citibank NA, also spoke.

Rees said a careful implementation of Basel II at the earliest would be better for Bangladesh.

ICCB Vice President Latifur Rahman and ICCB Board Member Mahbub Jamil also attended the opening session.

Microcredit failing to lift people out of poverty

Finance minister says

STAR BUSINESS REPORT

The finance minister has said microcredit could not pull people out of poverty although it gave them a way for living.

He also questioned if 3 crore families are said to be beneficiaries of microcredit why the number of poor families are still 7 crore in Bangladesh.

"Loan is a must for all sectors. But there must be an improvement of the borrowers' condition," AMA Muhith told the inaugural session of a two-day seminar in Dhaka yesterday.

Institute of Microfinance and Microcredit Regulatory authority jointly organised the seminar on 'microfinance interest rate and transparency' at the PKSF auditorium.

The minister said, "Certainly there are some flaws in our strategies for which the result of human resource improvement is not reflected properly in poverty reduction."

Chaired by Prof Wahiduddin Mahmud, chairman, Institute of Microfinance, the seminar was also addressed, among others, by Bangladesh Bank Governor Dr Atiur Rahman.

The minister gave a brief history of microcredit in the country. He said the system was introduced long ago, perhaps it is 100 years ago. It had got limited institutional shape soon after the division of the sub-continent. In Bangladesh, Brac started microcredit in 1974 and then Grameen Bank in a massive way in 1979.

He hailed the growth of microcredit and termed it 'unbelievable'. But the fate of the poor, the beneficiaries of small loan, is yet to improve.

Muhith partly blamed the less use of technology for the poor outcome of the credit. "Have we been trapped in the low level technology?" questioned the minister, who has pretty good experience in dealing with microcredit issue during his long career in civil service.

On the high interest rate charged by microfinance institutions (MFIs), the minister said it is getting down gradually based on the continued expansion. He also credited MFIs for simplification of the interest rate even before the government did it for farm credit.

"MFIs are not loan sharks," he asserted, turning down such allegations by many.

He however stressed price transparency of microcredit for sustainable development.

"Alleviating poverty is a big challenge in Bangladesh. And microcredit is one of the major weapons to achieve the goal in 20 years," the minister remarked.

Economist Wahiduddin Mahmud said MFIs should disclose the interest rates publicly for the sake of its transparency. He finds no reason to hide the issue from the people.

"MFIs have to assert it that that they are different from the people called loan sharks," said the economist.

Dr Atiur Rahman said if there were no microcredit more people would have migrated to cities.