Star Business

DHAKA SUNDAY NOVEMBER 15, 2009

Stocks

DGEN	▼	0.90%	3,382.87
CSCX	▼	0.42%	7,355.30

(Week-on-week)

Asian Markets

MUMBAI	▲	0.92%	16,848.83
TOKYO	▼	2.31%	9,802.95
SINGAPORE		Flat	
SHANGHAI	▲	0.46%	3,187.65

(Friday closings)

Commodities

Gold	▼	$1,107.50	(per ounce)
Oil	▼	$75.57	(per barrel)

SOURCE: AFP (As of Friday)

Contact Us

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

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Transcom Foods Executive Director Akku Chowdhury (*right*) and singer Mehreen (*middle*) open a donation box of KFC at its Gulshan outlet in Dhaka as the month-long World Hunger Relief Campaign ended yesterday. (Story on B3)

Krishi Bank plans citizen's audit for farm loans

STAR BUSINESS REPORT

Bangladesh Krishi Bank will introduce 'citizen's auditing system' in its branches to ensure transparency and accountability in farm loan disbursement, its Chairman Khondkar Ibrahim Khaled said recently.

In line with the plan, a list of borrowers will be made available in each of its branches to allow citizens in every area to examine whether real farmers are getting loans.

An official order is expected to be issued by the bank in this regard within this week, said Khaled.

"It's a 'citizen's audit' under which everybody will be able to check if loans are going to the real farmers," said the chief of the state-run agriculture bank, operating across the country through 822 rural and 130 urban branches.

Banking sector people expect that such an auditing practice will help reduce corruption in farm loan disbursement process.

Khaled unveiled the plan as he, accompanied by Bangladesh Bank Governor Atiur Rahman, extended Tk 1.91 crore in loans on Thursday to more than 600 farmers, including sharecroppers.

The amount was disbursed in three areas -- Langarpara, Pakuria and Tetul Tala of Sherpur district.

"We will also give farm loans through open camps," the Krishi bank chief said.

The central bank governor said it was difficult in the past for others to know whether right persons were getting farm loans.

"Now you will take loans openly and the practice of disbursing loans in front of all will enable more farmers to get loans," he said. "It will also bar fake farmers from getting loans."

Rahman expects that a transparent loan disbursement practice will also help the bank recover its loans easily.

Citing the initiative of ensuring loans for the sharecroppers, he said they did not get loans in the past.

"But they are the real farmers. We have started giving loans to the sharecroppers without any collateral," he said, adding that these marginal farmers did not get loans due to their failure to show any collateral such as land.

With a focus on extending Tk 500 crore as collateral-free loans to the sharecroppers, the central bank had earlier set a target of ensuring disbursement of Tk 11,500 crore to the farmers in fiscal 2009-10. The amount is nearly 25 percent higher than the actual disbursement in the previous fiscal year.

Pay hike fuels inflation worries

REJAUL KARIM BYRON

A pay hike for government staff emerges as the latest worry for inflation, said analysts yesterday.

Rising commodity prices on the international market, excess liquidity in the banking system, robust remittance inflows and high foreign-currency reserves are also feared to fuel inflation.

To tackle the downsides, the finance ministry's report to the prime minister has recommended an increase in the statutory liquidity ratio (SLR) that all banks will require to maintain in cash and securities. The SLR monitored by the central bank every day is commonly used to contain inflation.

But economists opposing an increase in the SLR said the already stagnant investment scenario would deteriorate.

The rate of inflation went below 3 percent in June, down from double-digit figures. It started increasing in July and rose to 4.69 percent in August and 4.60 percent a month later.

With the world showing signs of recovery from the economic meltdown, demand is back in different countries and commodity prices are shooting up, according to the finance ministry report.

The prices of crude petroleum rose to about $80 per barrel in October from $45 in January. If the trend continues, it will pile pressure on the economy, the report said.

The report also cited inadequate investment, effects of remittance inflow and foreign currency reserve, soaring prices of commodities on the international market as the causes of an upward trend in inflation.

The finance ministry report recommended three steps: to maintain commodities supply and uninterrupted distribution, necessary steps by Bangladesh Bank to mop up excess liquidity and an increase in SLR.

According to BB statistics, excess liquidity in the banking system is about Tk 35,000 crore. On the other hand, the SLR has remained at 18 percent from 2006.

The International Monetary Fund (IMF) also expressed concern over rising inflation. "While robust remittance inflows are expected to continue, investor sentiments may turn around quickly which could raise inflationary pressure very rapidly," it said.

The IMF said the central bank should consider moving to a standing facility for repo and reverse repo operations and adopting an interest rate corridor once fully functional open market operations are in place to enhance the credibility and predictability of monetary policy.

The government has announced a new pay scale for civil servants, which will require an additional Tk 6,500 crore and will benefit 15 lakh employees of government, autonomous and dependent institutions.

The 15 lakh people will spend an additional Tk 600 crore money every month. More than one lakh staff of Bangladesh Bank and state-owned banks will also get a pay hike.

The foreign exchange reserve has crossed the $10 billion mark, which will also increase money supply to the market.

All these will create inflationary pressure on the economy and the government will have to take measures for proper macroeconomic management to subdue its impact, said Zaid Bakht, research director of Bangladesh Institute of Development Studies.

He suggested close monitoring of the international market and supply side by the government. "Efforts should be strengthened to increase the government's revenue earnings to meet government borrowings for implementing the new pay scale."

As import duty is decreasing, the government will have to emphasise increasing direct tax, Bakht said. Opposing the idea of increasing SLR, he said it would hamper investment.

ICT show kicks off Tuesday

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A five-day information and communication technology (ICT) fair will begin on Tuesday at Bangabandhu International Conference Centre in Dhaka.

Bangladesh Computer Samity (BCS), a national association of ICT companies, is organising the show styled BCS ICT World-2009.

BCS will also arrange the first-ever Digital Bangladesh Summit-2009 on November 22 at the same venue.

As many as 65 local and multinational companies will showcase their latest communication technology, including computer, laptop, software, hardware, telecom device and technology-based education services at the fair.

BCS President Mostafa Jabbar said these yesterday at a press briefing in Dhaka.

President Zillur Rahman is expected to inaugurate the summit, while Speaker Abdul Hamid is scheduled to open the fair.

The entry fee has been fixed at Tk 20. However, school students will be exempted from the fee at the show.

BB to roll out strategy for efficient banking

BSS, *Dhaka*

Bangladesh Bank (BB) has prepared a five-year strategic plan to ensure efficient banking.

The plan, first of its kind in the country, focuses on stable monetary policy, automation, skilled development, capacity building and prudent credit policy.

BB Governor Atiur Rahman will disclose further details at a press conference at the central bank headquarters today.

The plan that received final touches at a weekend meeting at Jamuna Resort will be effective from January.

"We have prepared a strategic plan to face future challenges and make the central bank more efficient to support and develop the sector," said Rahman who presided over the meeting.

"At the meeting, we have noticed that BB should continue its support to the agriculture sector and increase financial assistance to small and medium enterprises by two to three times than now," the BB chief said.

Rahman said the overall investment would get more attention in the plan and BB will encourage more investment in agriculture and SMEs.