

Consumer credit has a downside

Central bank's ex-chief warns as he speaks on global financial crisis

STAR BUSINESS REPORT
A rise in consumer lending by banks may not augur well for the country's progress, as many anticipate, a former central bank governor has cautioned.

"Many think that such loans will take Bangladesh to the path of progress. But it doesn't, rather it is creating problems," AKN Ahmed told a seminar in Dhaka yesterday.

Bangladesh Bank Training Academy organised the seminar on 'Financial Crisis and Regulatory Deficiency.' Deputy Governor Murshid Kuli Khan presided over it.

Ahmed, who had a short stint as the central bank chief in the

mid-70s, said people used to buy land, build homes and purchase cars from their savings. "But lenders have changed the scenario."

"A huge money is going to construction sector nowadays, which is creating a bubble. Time has come to decide on any credit restriction," said the 85-year-old economist.

Pointing to the ever-increasing land prices, he said, "This is unbelievable."

Ahmed, who set up Bangladesh Bank Training Academy during his tenure, suggested the government make information public when negotiations go on with development partners for any credit.

Referring to the government's effort to get IMF loans, he said, "People have the right to know the international lender's conditions. If it signs the deal secretly, it will not be transparent for a democratic government," he said.

He also alleged many local banks window-dress their loans to show their financial strength. "One bank gives loan to another to help the latter show in the balance sheet that it has sufficient liquidity at a fee. The following day the money returns to its original owner."

"The central bank has to be careful about the practice," he said.

On the much-talked-about call money rate, Ahmed said the central bank should pinpoint

reasons if inter-bank exchange rates continue to skyrocket.

In the middle of December last year, the call money rate rose as high as 180 percent before the central bank intervened to ease money market volatility.

The central bank capped the call money rate at 50 percent, but top bankers questioned its rationale.

But Ahmed said: "In such situation, the central bank has also an inspector's role. It should find out culprits and punish them if their crimes are grave."

"Bangladesh Bank has to give an impression that it is seriously watching the market. It should take steps in line with circumstances."

Ahmed said politicians could not be blamed as they have their own language, which the central bank officials need to realise.

"Developing the country is a responsibility of the politicians, especially elected representatives, but officials should make politicians understand what will go wrong for the country if they do not act in accordance with central bank advices."

The incumbent governor, Atiur Rahman said the central bank will take every step suitable for the economy.

"Do comply with regulations," he urged banks.

BB Executive Director Abul Kashem was present among others.



BEXTEX
Kristie Wilson (middle) from US State Department accompanied by US Embassy personnel pose while visiting the Beximco Industrial Park at Kashipur in Gazipur yesterday. Syed Naved Husain, group director of Bextex, welcomed the delegation.

Dhaka urges Riyadh to ease registrations on pharma exports

STAR BUSINESS DESK

Dhaka yesterday urged Riyadh to ease registrations on exports of pharmaceuticals to Saudi Arabia.

The call came at a bilateral meeting on trade and investment at the Saudi commerce minister's office in Riyadh yesterday. A wide range of bilateral issues were discussed between the two countries where Commerce Minister Faruk Khan and his Saudi counterpart Abdullah Ahmed Zialan Riza led their delegates.

Khan said Bangladesh possesses great potential for investment and a wide range of exportable products of international standards.

Khan focused on ceramics, frozen fish and leather goods of Bangladesh and expressed hope that exports of those products may fulfil their Saudi demands.

Bangladesh has developed state-of-the-art production facilities in the pharmaceutical sector and its competitively-priced products have already reached 72 countries, he added.

The Saudi minister promised to look into Bangladesh's request for withdrawing 5 percent tariffs on its shipments to his country.

Bangladesh Ambassador to Saudi Arabia Shahidul Islam, Saudi Deputy Minister For Trade Abdullah Al Homudi, Saudi Vice-Minister For Industries Esham Mubasam and President of Bangladesh Garment Manufacturers and Exporters Association Abdus

Knitwear leaders demand fire station in Fatullah

STAR BUSINESS REPORT

Knitwear makers and exporters yesterday urged the government to set up a fire station in Fatullah, Narayanganj, for the security of workers and factories in the industrial area.

The Bangladesh Small and Cottage Industries Corporation estate in Fatullah houses 221 knitwear factories employing over 20 lakh workers. Industry insiders said the industrial zone exports knitwear products worth Tk2,200 crore a year.

AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, said: "Red tape is delaying the process."

In August 2010, the commerce minister from a rally announced that a fire station would be set up within seven days. In November, the labour minister also declared that the most-wanted facility would be set up inside the BSCIC area within a month.

"No fire station has yet been set up," Osman said in a statement. "We urged the prime minister to take steps to set up a fire station urgently."



SANOFI-AVENTIS
Sanofi-aventis employees pose with their performance awards in the annual sales conference of the company at Dhaka Sheraton Hotel on Wednesday. Iftekarul Islam, managing director, inaugurated the daylong conference.



BANK ASIA
Mohd Safwan Choudhury, vice chairman of Bank Asia, inaugurates the bank's 49th branch at Jagannathpur in Sunamganj yesterday. Erfanuddin Ahmed, president and managing director, was also present.

International long-distance slumps, Skype soars

STAR BUSINESS REPORT

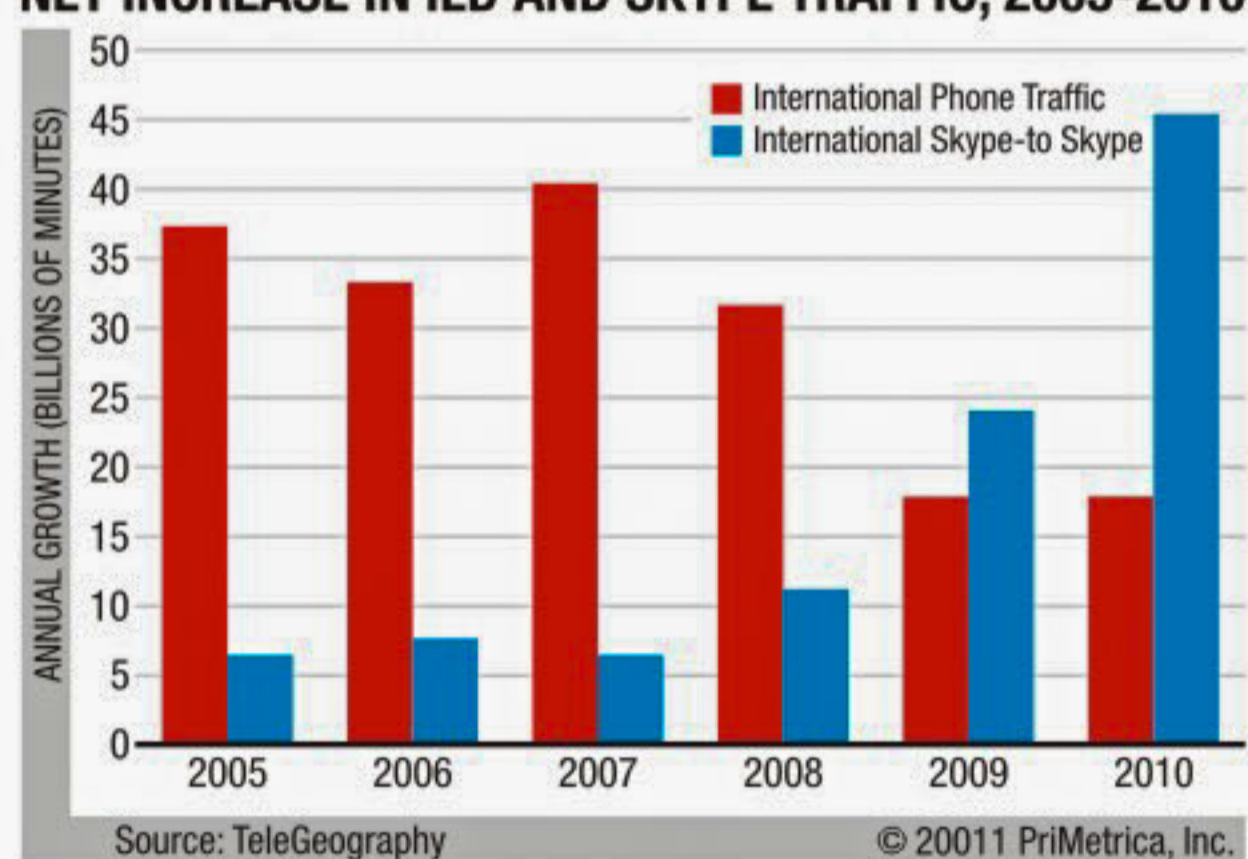
Growth in international call traffic has slumped while international traffic routed via Skype, the largest provider of internet-based voice communications, continues to accelerate, data showed.

International phone traffic grew an estimated 4 percent in 2010 to 41,300 crore minutes, down from 5 percent growth in 2009, which is a far cry from the 15 percent average growth rate achieved during the previous two decades, according to TeleGeography.

The company, which specialises in delivering global market intelligence to the information technology and telecomm industries, said the deep recession of 2007-2009 has played a major part in the decline, affecting business demand for international communications and many consumers' ability to pay for international telephone calls.

Meanwhile, internet-based voice services, like Skype, account for another, longer-term challenge to international carriers. Cross-border traffic routed

NET INCREASE IN ILD AND SKYPE TRAFFIC, 2005-2010



by Skype is projected to grow by an astonishing 4,500 crore minutes in 2010 -- more than twice the volume added by all of the

world's phone companies, combined.

Skype is a software application that allows users to make voice calls

over the internet. Calls to other users within the Skype service are free, while calls to both traditional landline telephones and mobile phones can be made for a fee using a debit-based user account system.

Headquartered in Luxembourg, Skype has also become popular for its additional features that include instant messaging, file transfer and video conferencing.

"Demand for international communications remains strong," said TeleGeography analyst Stephan Beckett. "But ever

more people are discovering that they can communicate without the services of a telco."

TeleGeography, a division of US-based PriMetrica, has published its namesake annual report continually since 1989, providing the most comprehensive source of data and analysis of the international long-distance market.

It offers individual and enterprise subscriptions to online databases and reports on subjects ranging from wireless carrier competition to global Internet backbone traffic.



The Daily Star

LEADERSHIP COLLOQUIUM

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DR AHMED BADRUZZAMAN

Energy scientist from Chevron with expertise in petroleum, nuclear industries and conventional



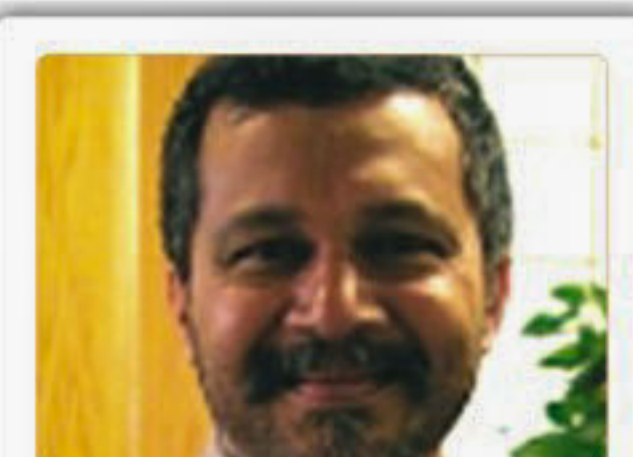
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