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ICB to seek 3 more months to repay loans

GAZI TOWHID AHMED

The state-run Investment Corporation of Bangladesh (ICB) will seek three more months from the government to repay loans of Tk 600 crore.

On the back of a liquidity crunch in the capital market, the central bank recently gave ICB the loans for three months to buy shares to bring back normalcy in the market.

But ICB would not be able to repay the loans in time, as it does not want to sell shares in the present volatile market situation.

Khairul Hossain, chairman of ICB, said: "After selling a big amount of shares, we would be able to repay the loans."

"If we start selling now, the market will experience another debacle."

However, the board of ICB yesterday approved proceedings on their part to generate fund for the much-hyped "Bangladesh Fund".

Hossain said the fund was created to boost the investors' confidence and give a massive liquidity support to the stockmarket.

The state-run investment organisation and seven other state-owned enterprises on Sunday announced to create the Tk 5,000 crore open-ended mutual fund.

Apart from the ICB, the seven other SoEs are: Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank, Sadharan Bima Corporation and Jibon Bima Corporation.

Md Fayekuzzaman, managing director of ICB, said: "The ICB issued a letter to the co-sponsors of the fund to set a board meeting next week in support of the approval for the fund."

The ICB earlier said it will apply for the regulatory approval after the eight participating institutions come up with permissions from their respective boards of directors.

The ICB also took an action plan after sitting on Tuesday with the other members of the demutualisation committee, said Fayekuzzaman, chief of the committee.

"Regulatory reform, asset revaluation and capacity building are on the agenda of the action plan," he said.

"We will sit at another meeting within this month," he added.

Finance Minister AMA Muhith earlier said there is no alternative to demutualisation and it must be completed within the tenure of this government.

Correction

In a report -- Stocks pull in Swiss fund -- published yesterday, it was mistakenly mentioned that a Swiss fund invested around 10 million pounds (Tk 115.79 crore) in the Bangladesh stockmarket during the last four months, and the fund was launched in Bangladesh in November last year. Actually the fund invested 10 million euros (Tk 99.71 crore) during the last four months, and it was launched in Switzerland in November last year. We regret the mistakes. The fund manager is in process to collect more capital from high net worth individuals and institutional investors



Stall attendants are pictured on the first day of the BCS Digital Expo being held at Bangabandhu International Conference Centre in Dhaka. The fair will continue until March 13. Story on B3

BB lifts lending cap

REJAUL KARIM BYRON

Bangladesh Bank yesterday withdrew the 13 percent lending cap except on agricultural and industrial term loans.

The International Monetary Fund (IMF) and the owners of private banks had long been putting pressure on the government to lift the cap.

However, central bank officials said the BB took the decision on its own, not due to any pressure.

Salehuddin Ahmed, the immediate past governor of the central bank, said the move may give a rise to the costs of business. The BB could have taken the decision later, he added.

A BB circular yesterday said the

decision to lift the lending cap was taken after reviewing the overall situation. However, the 13 percent lending cap would remain in force for the agricultural sector and industrial term loans.

The circular said all other types of export credit interest rate will be 7 percent; and the interest rate on import finance for rice, lentil, edible oil, gram, onion, date and sugar would remain at 12 percent.

It also said, under the financial sector reform programme, the policy of flexible interest rate was introduced in 1989 which allowed the banks to determine their rate of interest.

In the backdrop of the world economic situation, the central bank set the lending cap on some

sectors, said the circular.

In April 2009, the lending cap was put in force.

The IMF last year tagged 10 conditions with its \$1 billion credit which include withdrawal of the lending cap by March this year. The IMF said the conditions were aimed at strengthening the monetary transmission mechanism and improving the financial sector performances.

The government and the IMF are continuing talks on the conditions. An IMF mission has already started final discussion with the government from Tuesday and is scheduled to continue until March 18.

On the other hand, the owners of the private banks on March 2 put forward a 14-point recom-

mendation to the prime minister, demanding withdrawal of the lending cap to help overcome financial crisis of the banks.

On March 3 they placed the recommendations to the central bank. The BB is now reviewing those.

The former BB governor said, due to liquidity crisis the banks have already hiked their deposit rates. To cut down costs of fund they have now recommended withdrawal of the lending cap.

Besides, there is a pressure from the IMF, Ahmed said.

In another circular, the BB issued reminder to the banks to hang the interest rates of deposit and credit and all other service charges at their head offices and all branch offices.

Exports grow 40pc

STAR BUSINESS REPORT

Exports grew by 40.28 percent in the first eight months of the current fiscal year, compared to the same period a year ago, the government said yesterday.

According to the Export Promotion Bureau (EPB), the country exported goods worth \$14.08 billion during July-February of fiscal 2010-11, up from \$10.31 billion in the same period of 2009-10.

In February alone, exports grew by 43.33 percent to \$1.89 billion, compared to the same month of the previous year, according to government data.

The EPB report shows exports of major products -- knitwear, woven, jute and jute goods, home textile, frozen foods, shrimp, leather goods -- have grown significantly during July-February period.

Among the major exported products, in the first eight months of the current fiscal year, the knitwear sector earned \$5.80 billion, which is a 43.93 percent rise from the same period in the previous year.

Woven garment exports grew 37.95 percent to \$5.13 billion, compared to the same year-ago-period. At the same time, products such as tea, chemical products, bicycle, furniture, engineering products and petroleum by-products showed negative growth.

However, EPB set a target to earn \$18.5 billion for the current fiscal year, which is 14.16 percent more than the actual earnings last year. During 2009-10, the total export earnings were \$16.2 billion against a target of \$17.6 billion, which was 4.11 percent higher than the 2008-2009 earnings.

On the growth of exports of the country, EPB vice-chairman Jalal Ahmed said 40 percent export growth has been maintained



Workers iron clothes at a garment factory in Gazipur. Woven garment exports grew 37.95 percent in the first eight months of the current fiscal year, compared to the same period a year ago.

over the last few months, which is a positive sign in the overseas trade of the country.

The export of jute and jute goods has been increasing thanks to higher demand, part of the reason for higher growth in exports out of Bangladesh. The export of jute and jute goods grew by 51.04 percent to \$734.39 million during July-February compared to the same period of the last year.

Moreover, the exports to the EU are growing significantly because of relaxed rules of origin under the generalised system of preferences (GSP), Ahmed said. The EU's relaxed rules for the least developed countries came into effect from January 1.

Exports are increasing mainly for higher

exports to new destinations and because buyers are shifting to Bangladesh from China, the largest apparel supplying country worldwide, said Abdus Salam Mursheedy, president of Bangladesh Garment Manufacturers and Exporters Association.

But the steady export growth is dependent on uninterrupted supply of gas and power to the industrial units and improved port management system, he added.

Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, linked the export growth to product diversification. Buyers have now more choices in Bangladesh, which was not possible earlier, he said.

Regulator asks microlenders to design succession plans

STAR BUSINESS REPORT

Bangladesh Bank Governor Atiur Rahman yesterday urged the country's microfinance institutions to ensure well-planned succession plans to address any uncertainty over leadership in the future.

"Each MFI should have a well-planned succession plan in place. It should also be careful so that there are skilled and professional members in the board," said the BB chief.

Rahman spoke at a workshop on fixing weekly instalments of microcredit organised by the state-run Microcredit Regulatory Authority (MRA), the central body to monitor and supervise microfinance operation of non-government organisations, at the National Sports Council auditorium in Dhaka.

The two-day workshop aims to fix weekly instalments of microcredit on the basis of interests charged based on declining balancing system. It also aims to help the practitioners understand the newly introduced system.

Representatives from over 600 MFIs registered or awaiting registration with MRA are taking part in the programme.

The observations come at a time when the MFIs have increasingly come under scrutiny. Critics have expressed doubts on their efficacy and effectiveness in fighting poverty, and politicians and other quarters accuse microfinanciers of getting rich off the poor.

Microcredit pioneer Professor Muhammad Yunus, whose Grameen Bank charges the lowest interest rates in the industry, is fighting a court battle for a smooth and graceful exit from the organisation he founded three decades ago.

The central bank removed him from the country's most prestigious institution for holding on to the post of managing director beyond the retirement age of 60 and without permission from the regulator.

Supporters of Yunus warned that Grameen Bank could collapse if its long-time managing director leaves abruptly, creating a vacuum in the leadership, which many think, would be "too deep to fill".

Speaking at the workshop, Rahman, also the chairman of the MRA, said questions and doubts are raised by the people when MFIs do not disclose adequate information in a transparent manner. "There is no alternative if an organisation wants to safeguard its customers' rights."

He urged MFIs to establish good governance and transparency in the sector, which currently disburses about Tk 15,000 crore among microcredit borrowers.

Qazi Kholiquzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation (PKSF), said the sector would have progressed further if it were operated in a disciplined manner. "Many sectors including microcredit operate in a chaotic situation. They do not follow rules."

The economist said the MFIs should not limit themselves to microcredit operations alone; they should work on other areas such as health and education.

Ahmad said the interests of MFIs and the borrowers must be ensured equally to prevent the sector from dying. He said, "We observed dangers in the microcredit sector globally last year. We will not go down that road. It is our duty to ensure its sustainable future."

He said although many MFIs are doing a good job, they are being blamed for a handful of organisations which are not performing as expected.

"Some MFIs are charging high interest rates, and even keeping their money at banks. They are not handling the business properly. They have to be corrected."

Ahmad said the tendency to commercialise the sector has to be resisted, as the sector kicked off with the mission of helping alleviate poverty.

"We did not ask whether the interest rates charged by the MFIs were more than the borrowers could generate out of the loans. We did not ask for how long -- 10 or 15 years -- people will keep on borrowing."

"We have to ask these questions now and discipline the sector," said the PKSF chairman.

Khandakar Muzharul Haque, who recently retired as executive vice chairman of MRA, said there is lack of preparedness among MFIs in the field level about implementing the MRA guidelines including the interest rates from July 1 this year. "The picture is quite unsatisfactory in some cases," he said.

Haque said the entrepreneurs are borrowing at high interest rates, but the depositors are not getting high interest rates on their savings.

Abu Farah Md Nasser, acting executive vice chairman of MRA, also spoke.

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