

STOCKS		COMMODITIES		ASIAN MARKETS		CURRENCIES	
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.61%	0.65%	\$1,474.00	\$108.26	1.57%	0.65%	0.18%	0.26%
6,346.98	11,465.36	(per ounce)	(per barrel)	19,386.82	9,591.52	3,153.30	3,050.53
				Friday closings			
				As of Friday			
				STANDARD CHARTERED BANK			
				USD			
				EUR			
				GBP			
				JPY			
				BUY TK			
				72.40			
				102.29			
				115.83			
				0.85			
				SELL TK			
				73.40			
				108.25			
				121.98			
				0.93			

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DHAKA MONDAY APRIL 18, 2011, e-mail: business@thedailystar.net

Money getting costlier

SAJJADUR RAHMAN

Funds have become costlier as banks have hiked their lending rates overnight in the wake of a significant rise in deposit rates and the central bank's lifting of the lending rate cap on some sectors.

Businessmen said a sudden hike in lending rates will have a negative impact on their businesses. They said an increase in costs will limit the small and medium enterprises' (SMEs) profitability and ability to grow.

Bankers said they have no option but to hike the lending rates as the deposit rates and cost of fund have gone up since December 2010. They, however, said higher borrowing costs will help contain the rising inflation.

"Personal, SME and trading loans have become costlier," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

Chowdhury said: "SMEs need higher supervision that involves costs. We can't fund SMEs at the present rates of 14-15 percent."

Muhammad A (Rume) Ali, chairman of BRAC Bank and a former deputy governor of the central bank, has backed the recent hike in lending rates, saying it would help check inflation.

"Cheap money helps fuel inflation and the interest rate is a major tool to tame it," Ali said, adding that money was made cheaper while setting a cap on major areas two years back.

The central bank in April 2009, capped the ceiling on lending rates in five specific areas -- agriculture, term loan and working capital to large and medium-scale industries, housing and trade financing -- at 13 percent to help the economy mitigate the impact of the then global financial crisis.

Banks' costs of fund have gone up significantly in the past few months. Some banks offer 13 percent plus interest for deposits and, still many bank managers look desperate to collect deposits.

Meanwhile, the BB also lifted the lending rate cap in all sectors except two

-- agriculture and industrial term-loans.

To take the chance, all the private commercial banks and major foreign banks have hiked their lending rates by 1-3 percentage points since the beginning of this month.

A borrower, who took a loan from a private bank at 14.50 percent interest rate in November, was informed by his bank on April 3 that he has to pay 18 percent interest for the loan.

"I want the Bangladesh Bank to look into the matter," said the grieved businessman.

"If the pressure on deposits continues, there will be no way but to raise the lending rates even for the SME loans," said the BRAC Bank chairman. The bank has already increased the lending rates for corporate loans.

The Federation of Bangladesh Chambers of Commerce and Industry pleaded the central bank to re-impose the lending rate cap for the sake of the industrial expansion. The apex trade body fears that higher borrowing costs will add woes to entrepreneurs.

But the central bank rejected the plea, saying it does not want to re-impose the cap at this moment. Nazrul Huda, deputy governor of the central bank, said banks will now feel encouraged to invest their funds in real sectors such as industries and services, instead of stockmarket.

Nasreen Awal Mintoo, president of Women Entrepreneurs Association of Bangladesh, said they get increasing complaints of charging higher interests rates by banks recently.

Despite the lifting of the cap, credits at a reduced rate of interest, 7 percent, are being provided to all areas of export credit operations since January 2004.

Besides, the lending rate on import financing for eight essential food items - edible oil, gram, pulses, peas, onion, date, fruits and sugar -- remains unchanged at 12 percent.

sajjad@thedailystar.net



Boro harvest may lower rice prices

SOHEL PARVEZ

Newly harvested boro paddy has started coming to markets amid speculation of a dip in the prices following a good output this year.

The behaviour of the rice market, however, will depend on the government's procurement prices and targeted procurement volume, traders said yesterday.

The government may announce its boro purchase price and the procurement volume for the current season by the end of the month or early May, said Ahmed Hossain Khan, director general of Directorate of Food.

Harvesting of the dry season crop began last week, mainly in the haor areas of the north-eastern districts where farmers usually harvest in advance to avoid crop losses due to flash floods occurring with the first showers.

Last year, flash floods destroyed standing crops in the haor areas in Sunamganj and Netrokona. This year, farmers are yet to face any such natural disaster.

"There will be a very good har-

"Whatever the output, the market will follow the government's procurement prices and the volume of its procurement. If the government increases prices, the market will go up"

vest if no such calamity visits us in the next two weeks," said Bappi Saha, a rice miller of Netrokona district, who buys paddy through agents from the farmers.

He said trading in freshly harvested paddies has just taken off. "It will gain momentum after a week amid intensive harvesting."

According to traders, the market of the newly arrived boro paddy started slightly upbeat.

Fine paddy varieties, such as BR-28, sell at Tk 600-700 per

maund (37.5 kg), depending on the moisture content, said Abdul Jalil, a paddy wholesaler at Ashuganjghat, the main market of paddy of the local haor area.

The current price is a bit higher than the last year's opening prices, said Jalil, but predicted that prices might drop next week because of the anticipated increased supply.

His forecast about a possible fall in prices comes as millions of farmers, encouraged by high prices, planted paddy to pocket gains from another good harvest.

Officials and traders expect that the output would be good this year if crops are not lost to natural calamities or pest attacks through the remaining days.

"The fields look extremely bright and healthy. We expect a very good output if no hazard befalls in the next two weeks," said Habibur Rahman, director general of Department of Agricultural Extension (DAE), which says the planted acreage exceeded its target of 47.80 lakh hectares this year.

Nirod Boron Saha, president of Naogaon Dhanno Chal Aratdar O

Babosayee Samity (an association for paddy and rice stockists and traders), a main foodgrains wholesale centre in the north, also expects a better harvest.

He said prices might drop a month later when harvest in the north will be complete.

Jalil, a paddy stockist at Ashuganj Ghat, Brahmanbaria, said the government's purchase price and its procurement target would influence the staple market.

The government had set purchase price for paddy at Tk 17 for each kg and rice at Tk 25 last year with a target of buying 12 lakh tonnes of paddy and rice from the domestic market.

It had bought nearly 6 lakh tonnes initially but raised the purchase prices of rice later to fulfil its procurement target.

Khan of Directorate of Food said a meeting of Food Planning and Monitoring Committee will be held by the end of the current month or early next month in this regard.

"We will take necessary decisions based on the market prices at that time," he said.

Bangladesh Fund may get green light today

STAR BUSINESS REPORT

The Tk 5,000 crore Bangladesh Fund will be placed today before the Securities and Exchange Commission (SEC) for approval and may get the go-ahead, officials said.

The much-talked open-ended mutual fund will be a professionally managed collective investment scheme with an unlimited lifetime and size.

Money will be collected from sponsors or investors through sales agents and will be invested in stocks, bonds and short-term money market instruments. It will also pay out dividends to the unit holders annually.

The Bangladesh Fund might get the approval in the SEC meeting after a discussion on the incentives sought by the Investment Corporation of Bangladesh (ICB), said the SEC officials.

The ICB requested the regulator to allot 10 percent shares of government companies and 5 percent shares of private companies to the Bangladesh Fund.

Khairul Hossain, chairman of the ICB, said: "The fund will be more lucrative for the investors, if the commission approves the incentives."

The initial size of the fund will be Tk 1,500 crore and it will increase in the future. The ICB also requested the SEC to reduce the registration fees for the fund.

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