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BB takes tough line on farm loan

REJAU KARIM BYRON

Bangladesh Bank (BB) has taken a tough stance against private and foreign banks who will fail to reach their targets of farm loan disbursement.

In case of failure, the banks will have to deposit the money with the central bank for one year.

The BB yesterday issued a circular in this regard. However, bankers have expressed their disappointment over the directive, but a BB official said the central bank can issue such a directive.

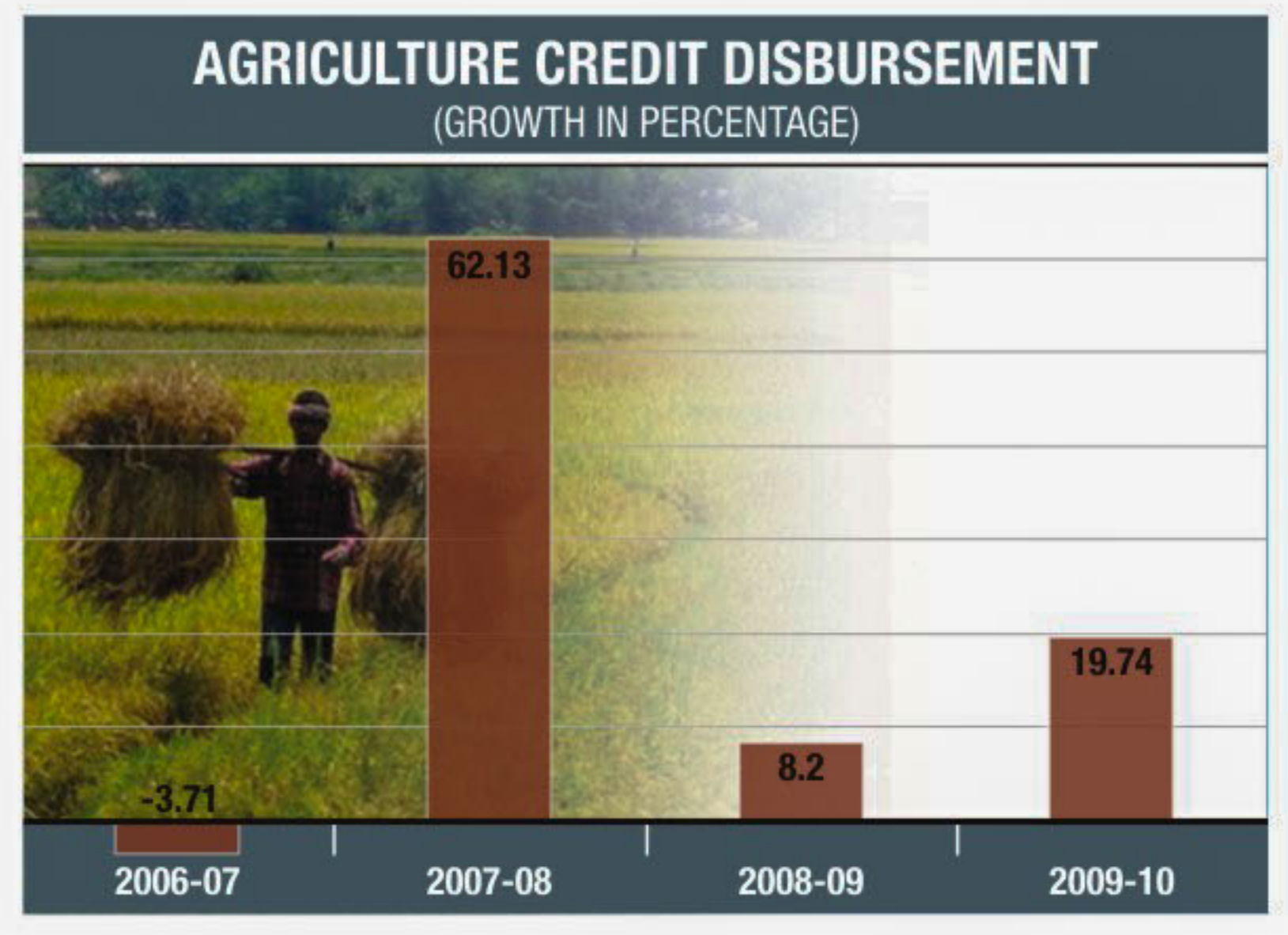
The private and foreign banks will have to fix a target of distributing agriculture or rural loans to the tune of 2.5 percent of their total loans disbursed till March 31 of the previous fiscal year, said the BB circular.

It also said, the bank concerned will review in every quarter whether the loans have been disbursed in line with the target. If it fails to meet the target, the unfulfilled portion of the target will have to be deposited with the central bank for one year.

The central bank will give interest at 5 percent on the deposited amount. The circular also said the banks will have to set their target considering the demand for agriculture and rural loans and the bank's ability and efficiency in disbursing loans in this sector every year.

The BB asked both public and private banks to contribute equally to the farm sector.

"Many private and foreign banks do not have any investment in agriculture and rural sectors. Though many banks have small investment, the amount is not satisfactory compared to their total loans and advances."



The central bank said all banks should participate with a logical level of investment in giving agriculture and rural loans.

An official of the central bank said, according to banking regulations, the BB can give such directive to any bank. He said, in 2008 a specific guideline has been given to every bank for their participation in agriculture and rural loan disbursement.

He also said, in the first nine months of the current fiscal year eight private banks could not reach 20 percent of their target for distributing agriculture loans.

The official said, in the current fiscal year a bank set 16 percent as its target of disbursing agriculture loans, but another bank's target was at 0.4 percent.

He said the private and foreign banks do not show interest in disbursing the amount they set as target for agriculture loans. He also said, in India it is mandatory for the banks to disburse 18 percent of their total loan in the agriculture sector. If any bank fails to fulfill its

target, the amount has to be deposited with Indian agriculture bank on a mandatory basis.

The official said there is also provision for such action in Sri Lanka and Nepal.

Managing directors of some private banks on condition of anonymity told The Daily Star that at present there is a slight liquidity crunch in their banks. They will hold discussions with the central bank on how much logical such a step will be.

A chief executive of a private bank said, "We are now forced to close the credit-deposit ratio. In such a situation, the circular may create money problem for many banks."

Association of Banks, Bangladesh (ABB) President K Mahmood Sattar said he has not yet seen the circular. He said, if such a circular has been issued, he will talk about it with the central bank.

He said they will discuss with the BB what types of problems the banks will face in implementing the directive of the central bank.

Find alternative job markets

MCCI launches study on Middle East, Japan crises

STAR BUSINESS REPORT

The government should explore alternative job markets in Europe, East Asia and Africa to offset fallout from the ongoing crises in the Middle East, North Africa and Japan, said a study carried out by a leading chamber yesterday.

The study said 35,000 workers returned from Libya and export of manpower has been on the decline over the last few years. The political troubles in the Middle East and North Africa may further hamper manpower exports.

The government should train workers to acclimatise them with the emerging market demands before sending them to new destinations in Europe or Latin America, said the study on the impact of Middle East, North Africa and Japan crises on Bangladesh economy.

Mamun Rashid, professor and director of BRAC Business School, conducted the study on behalf of the MCCI. He presented the study report at a discussion titled "Middle East and Japan Crises: Possible Impact on Bangladesh Economy" organised by the MCCI in Dhaka. President of the chamber Amjad Khan Chowdhury moderated the discussion.

"Recruiting agencies are mostly responsible for causing damage to Bangladesh's overseas labour market. The agencies charge excessive migration fees and sometimes cheat with workers," Rashid said.



Amjad Khan Chowdhury, extreme right, president of Metropolitan Chamber of Commerce and Industry, Dhaka, speaks at the launch of a study on fallout of the Middle East crisis yesterday. AMA Muhith, centre, finance minister, and Khandaker Mosharraf Hossain, expatriates' welfare and overseas employment minister, are also seen.

Mustafizur Rahman, executive director of Centre for Policy Dialogue (CPD), said 50 percent trades of Bangladesh is inter-linked worldwide through different channels. So, the economy may be hurt by any trouble in the Middle East, North Africa and Japan, he said.

Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, said every year the garment sector needs 100,000 new workers.

"So, we can absorb workers in the garment sector," he said.

Ali Haider Chowdhury, secretary general of Bangladesh Association of

International Recruiting Agencies, said some eight million people went to 110 countries during 1976-2011.

Expatriate Welfare and Overseas Employment Minister Khandaker Mosharraf Hossain said, in the January-April period a total of 154,000 workers went abroad, compared to 134,000 during the same period last year.

"Reducing the cost of migration is a must. The picture of manpower export and earning is not a gloomy one," he said, adding that a tender of Tk 1,000 crore has already been floated to build 36 training centres across the country for skill development of workers.

Nokia shuts door on Ovi

REUTERS, Paris

Nokia's new management will dump its Ovi services brand in favour of its company name across its offerings, the world's largest cellphone maker said on Monday.

Nokia launched the brand in August 2007 for services such as maps and music offerings at a high-profile event in central London, at a time when it dominated the wireless industry with around 40 percent market share of handset sales.

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Weak taka weighs on consumers

SAJJADUR RAHMAN

Bangladeshi consumers will face tough times ahead as the ongoing taka depreciation against the greenback is likely to push prices of imported goods up, and fuel inflation further.

The devaluation of taka, which has been depreciated by 3.4 percent against the US dollar since January this year and over 5 percent since July, now acts as a catalyst to a hike in prices of fuel, food, capital machinery and industrial raw materials.

Forecasts suggest the situation would worsen in the months to come due to a rising pressure on the country's balance of payments (BOP), weak remittances and the hike in import payments. The government's efforts to maintain export competitiveness amid this pressure could further devalue the taka.

According to a central bank official, the situation could only ease up if foreign loans and grants and repatriation of export money increase.

Business Monitor International (BMI), a London-based research firm that found the taka has depreciated by 3.4 percent against the US dollar since January, believes the local currency will continue to run down through 2011 and 2012.

The BMI that released the currency forecast report on Bangladesh last week identified that BOP deficit, narrowing current account surplus, weak remittances and rising import payments are responsible for the depreciation. The report has reset end-year

targets of taka 74.50/US\$ and taka 76.50/US\$ for 2011 and 2012 respectively. Earlier, it forecast taka 72/US\$ for end-2011.

The BMI said the country's overall BOP this fiscal year has remained in the deficit territory since August 2010. Also, there is much less support from the current account, and the outflows from the financial account have continued to surpass the current account inflows, placing selling pressures on the taka.

"Even though there was a marginal widening of the current account surplus in February, the year-to-date surplus (from July-February) was still 76.4 percent narrower compared to the same period in 2009-10 at \$600 million," said the BMI.

It also found that the capital and financial account deficit has continued to widen, reaching \$1 billion for July-February (a 391.4 percent year-on-year widening).

The BMI has pointed out several other factors to further depreciation of the taka. Of these, rising rate of money supply growth (21.7 percent y-on-y in February) and soaring inflation stemming from this rapid monetary expansion would increase the price of exports and dampen competitiveness.

Consumer price inflation has been accelerating, hitting double-digit levels -- 10.5 percent -- in March.

Secondly, renewed concerns in the euro zone regarding the debt-ridden peripheral countries could severely dampen demand for Bangladeshi exports, thus reducing supportive pressures on the taka. The EU remains Bangladesh's

largest export market with 53.7 percent of total exports in fiscal 2009-10.

"We do not rule out the potential for the Bangladesh Bank (BB) to further devalue the taka to retain price competitiveness. Furthermore, as the taka is closely managed against the US dollar, continued dollar strength may force the BB to devalue the taka to preserve export competitiveness," said the BMI.

If Bangladesh's BOP deficit starts to materialise through a sustained weakening of its reserve position, support for the taka could quickly deteriorate, predicts the BMI.

The BB also admits the pressure on the BOP and depreciation of the taka. It said the taka has declined over 5 percent since July. Earlier this month, a World Bank report said weak remittances and the rise in import payments have led to a 4.9 percent nominal depreciation of the taka against the dollar.

"The depreciation trend could cool down if loans and grants from foreign countries increase," said a general manager concerned of the BB. Repatriation of export money is also vital, he added.

He, however, said the BB has injected \$1.34 billion into the market so far this fiscal year (July-June) as market support.

"If it is not managed properly, the taka can be depreciated sharply in the days to come and it will weigh on the consumers," cautioned Monzur Hossain, a research fellow of the Bangladesh Institute of Development Studies.

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18 years celebration

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