

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
▲ 9.10%	▲ 7.66%	\$1,715.80	\$96.22	▼ 0.48%	▼ 0.13%	▲ 0.60%	▼ 1.68%	83.50	107.34	130.10	1.07	
3,945.39	7,409.12	(per ounce)	(per barrel)	17,622.20	8,917.52	2,957.78	2,291.90	BUY TK	84.50	111.27	134.06	1.17
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DHAKA WEDNESDAY FEBRUARY 8, 2012, e-mail: business@thedailystar.net

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Banks self-impose cap on interest rates

REJAUL KARIM BYRON

Private commercial banks yesterday self-imposed a cap on their lending and deposit rates to check unhealthy competition in the market.

At a meeting, the Association of Bankers Bangladesh (ABB) decided to offer an interest rate of 12.5 percent on deposits and charge 15.5 percent for industrial term loans and working capital.

However, loans for consumers, home loans and credit cards will be out of the purview.

Mohammed Nurul Amin, chairman of ABB, presided over the meeting at its office in Dhaka.

Amin said at present, there is no cap on the lending and deposit rates. "Under the circumstance, we should not behave in a way that creates indiscipline."

"There should not be any sudden jump in the lending or deposit rates. We have taken the initiative to keep the hike at a rational level," he told The Daily Star.

Amin, also the managing director of NCC Bank, said Bangladesh Bank also wants to keep the interest rate spread below 5 percent.

"In line with the spirit of the central bank, we also want unhealthy competition in the banking sector to end."

He said the association of bankers, however, did not impose any written cap. "We have urged the bankers to comply with the decision, which will ensure discipline and benefit the business community."

ABB has taken the decision due to "moral suasion" by the central bank, said a member of the association.

This came a day after top officials of the central bank sat with leaders of ABB and urged them to keep the spread at below 5 percent.

BB also observed that the lending rate would never exceed 15 percent when the spread is below 5 percent.

On January 4, the central bank withdrew the 13 percent interest rate limit on bank loans, prompting the private banks to increase their lending rates.

According to BB data, 18 out of 30 private banks charged 16 percent to 18 percent for industrial loans and working capital in January.

The hike in interest rate invoked sharp criticism from the business community including the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the country's apex trade body.

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Govt takes tough stance on insurance directorship



Finance Minister AMA Muhith speaks at a seminar on Insurance Act 2010 in the capital yesterday. FBCCI President AK Azad, extreme right, is also seen.

STAR BUSINESS REPORT

The government and the insurers have taken an opposite stance on a provision that bars an insurance director from holding the same position with another financial organisation.

Finance Minister AMA Muhith yesterday lent his support to the insurance regulator, which last year issued a circular barring a director from an insurance company from becoming the same in banking or non-banking financial companies under the Insurance Act 2010.

"It'll not change...no effort will work," Muhith told the Bangladesh Insurance Association (BIA), a forum of insurance company directors.

He spoke at a seminar on 'Insurance Act 2010 and its impact' at Bangabandhu International Conference Centre in Dhaka. The BIA organised the programme with its Chairman Sheikh Kabir Hossain in the chair.

Shefaqe Ahmed, chairman of Insurance Development and Regulatory Authority (IDRA), also spoke.

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Private projects get BB nod to take \$152.8m foreign loans

STAR BUSINESS DESK

Bangladesh Bank yesterday gave a go-ahead to five private sector projects to take loans worth \$152.8 million from foreign sources, the regulator said in a statement.

The loans include \$100 million for Airtel Bangladesh, \$30 million for Acron Infrastructure Services, \$5.30 million for Confidence Salt Ltd and \$15 million for Nator Agro.

The rest of the amount was approved for the readymade garment sector.

The highest interest rate of the projects is six-month LIBOR+4 percent in a year. The effective interest rate will be within 4.58 percent per annum, the central bank said.

The approval came at the 61st meeting of the scrutiny committee of the BB presided over by its governor Atiur Rahman at its office in Dhaka.

"This type of foreign financing will be helpful in keeping the foreign exchange rate stable and will impact positively on the balance of payments of the country," according to the statement.

Economists see no early respite from inflation

STAR BUSINESS REPORT

Bringing down inflation to a single digit level will not be possible in near future as inflationary expectations remain high in the face of increased money supply and depreciation of the taka, said economists yesterday.

One monetary policy will not allow inflation to decline from double digit, said Zaidi Sattar, chairman of Policy Research Institute of Bangladesh, at a discussion titled, 'Will a tighter monetary policy help?' at BRAC University in Dhaka.

The Business & Economics Forum of the university organised the dialogue, which came after Bangladesh Bank launched monetary policy with an aim to curb credit supply.

Sattar said inflation has been on the rise for last few years. In spite of that BB allowed money supply to grow.

Imposition of cap on interest rate for loans earlier also buoyed the demand for credit, he added.

Former Finance Adviser Akbar Ali Khan said inflation expectations run high in the economy.

"The monetary policy will alone not be able to curb inflation; it will require fiscal policy."

He said the dynamism that has been created in the economy will be halted unless inflation is controlled.

Khan also expressed doubt about attaining a 7 percent growth for the current fiscal. It may be 6 percent, he said.

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Plastic fair next week

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A fair of plastic, packaging, printing and food processing goods will start at Bangabandhu International Conference Centre in the capital on February 16.

Exhibitors from 15 countries, including China, India and Taiwan, will take part in the four-day show.

Local giants, including Bengal Group, Partex, Luna, Saj, Sunflower, Talukder Group and Liberty Group, will participate in the show.

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Organized by: DITP
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Trade: 29 March 2012
Public: 30-31 March 2012

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