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star BUSINESS

DHAKA FRIDAY FEBRUARY 10, 2012, e-mail:business@thedailystar.net

BB slams foreign banks for higher spread

Asks all banks to keep the interest rate gap at 5 percent

REJAUL KARIM BYRON

The central bank yesterday came down heavily on foreign banks having operations in Bangladesh for a high interest rate spread, which is depriving both depositors and borrowers.

Bangladesh Bank (BB) asked all commercial banks, including foreign banks, to keep the interest rate spread at 5 percent. The average interest rate spread for foreign banks is around 9 percent, which is below 6 percent for the local commercial banks.

The suggestion came at a meeting on implementation of the monetary policy, which was announced last month, at the central bank office in Dhaka with its Governor Atiur Rahman in the chair.

A participant in the meeting quoted Rahman as saying the BB will closely monitor the interest rate spread to keep it below 5 percent, except for small and medium enterprises and consumer loans.

Hassan Zaman, senior economic adviser to the governor, presented a keynote paper on the latest monetary policy and current economic situation.

Zaman said the BB will also ensure adequate liquidity for productive investment, according to the participant in the meeting who requested not to be named.

The spread refers to the difference between the interest rates for lending and deposit.

BB statistics showed the weighted average deposit rate of the foreign banks was 4.51 percent in November 2011, while the weighted average credit rate was 13.34 percent at the same time.

In case of private banks, the weighted average deposit rate was 8.53 percent in November 2011, while the weighted average lending rate was

13.87 percent, BB data showed. On one hand, the foreign banks are paying less interest to the depositors and on the other, they are making huge profits from a high interest on loans, the BB official said.

The foreign banks have made substantial profits over the years, although they have a limited scale of operations in Dhaka and Chittagong alone.

In 2009, the foreign banks made a

Bangladesh (ABB), said he supports the central bank's move to discourage loan disbursement to non-productive sectors.

The latest monetary policy targets to cut credit growth to the private sector to 16 percent by June. It was around 20 percent in December.

Both the BB deputy governor and ABB chairman said bringing down credit growth for the private sector to 16 percent is enough to achieve

FOREIGN BANKS' SPREAD	
IN PERCENTAGE	
BANK ALFALAH	4.81
HSBC	9.01
WOORI BANK	12.51
NBP	6.15
CEYLON	6.03
CITI BANK	8.34
HABIB BANK	6.34
SBI	5.06
STANDARD CHARTERED	9.76

SOURCE: BB

net profit of Tk 930 crore, which was Tk 915 crore in 2010, according to BB data.

After the meeting, Sitangshu Kumar Sur Chowdhury, deputy governor of the BB, told journalists, "We asked the commercial banks to discourage loan disbursement to non-productive sectors and encourage loans for the productive sectors."

He also said one of the major objectives of the recently launched monetary policy is to bring down the inflation rate to a single digit.

He said the BB also called upon bankers not to discourage imports of basic commodities.

Mohammed Nurul Amin, chairman of the Association of Bankers

the current fiscal year's economic growth target.

A few days ago, the ABB leaders set a self-imposed cap on deposit and credit rates at 12.5 and 15.5 percent, to discourage unhealthy competition in the banking system.

At yesterday's meeting, all bankers committed to following the self-imposed cap on deposit and lending rates, said Chowdhury, adding that the central bank did not intervene in this process.

In addition, the primary dealer banks are currently facing a liquidity crisis as they cannot cash the excess investment in bonds at around Tk 16,000 crore.



Nobel laureate Prof Muhammad Yunus delivers a lecture on social business at the Presidential Palace, Warsaw, Poland on February 1. To Yunus' left is Bronislaw Komorowski, president of Poland, and Irena Wóycicka, undersecretary of state for social affairs. Komorowski called leading political leaders, economists and policymakers to attend the lecture.

HC verdict on GP writ Monday

STAR BUSINESS REPORT

The High Court will on Monday deliver its verdict on a Grameenphone writ petition challenging the telecom regulator's notice that demanded additional money for the radio frequency it sold four years ago.

After concluding the final hearing on the petition yesterday, the HC bench of Justice Farid Ahmed and Justice Sheikh Hassan Arif fixed February 13 for the verdict.

It came after Bangladesh Telecommunication Regulatory Com-

mission, on October 17, asked GP to pay an extra Tk 236.8 crore for the radio frequency in 1800 megahertz band, which the operator bought for 18 years in 2008.

GP filed the writ on October 23. On October 26, the HC issued a rule upon the BTRC to explain why the notice should not be declared illegal.

It also stayed the effectiveness of the regulatory notice.

In the notice, the telecom regulator asked GP to pay Tk 3,624.03 crore as its licence renewal and spectrum assignment fees within 10 days. It demanded an additional Tk 236.8

crore as spectrum assignment fee. It also asked GP to pay all the money without any deduction -- a clause, which has also been challenged by the mobile operator.

Currently, telecom operators pay charges to the regulator deducting 15 percent to be paid to National Board of Revenue as VAT.

Barrister Khandaker Raza-E-Raquiab, a lawyer for BTRC, said the hearing of the case between the telecom watchdog and GP was finished on Wednesday.

He said the judgment will come out on Monday.

Challenges to achieve desired growth strain economy: Wahiduddin

STAR BUSINESS REPORT

Bangladesh's economy is under strains not because of the crisis now sweeping through many countries but due to challenges in achieving higher economic growth, said a noted economist yesterday.

Dr Wahiduddin Mahmud said many countries around the world are stuck in the crisis and their economies are stagnant.

"It is true that there are macroeconomic strains in the economy -- both in external and fiscal balance. But these strains appear in the context of a growing economy, not in economic stagnation."

"Our economy is under strains not in terms of economic stagnation but in the context of a growing economy," he said.

He said maintaining higher growth would be a key challenge for Bangladesh. "There are challenges to maintain the growth. Inflation is running high, but this is not however the situation of stagflation -- where inflation goes up amid stagnant economic growth," he said.

The economist spoke at the launch of Citi Microentrepreneurship Awards programme at Ruposhi

Bangla Hotel in Dhaka.

The government has targeted 7 percent gross domestic product growth in the current fiscal year of 2011-2012. But many local economists and international development partners have projected the growth to be hovering around 6 percent.

Mahmud also said researchers should find out the potential of microcredit and how it can be exploited.

"Many researchers and analysts say they have not seen that the microcredit borrowers have progressed a lot using the money. But I think the borrowers' combined small profit on a small capital has contributed a lot to the development of the economy," he said.

"We do not look at its contribution."

Mahmud said the biggest strength of the economy is that the small and medium enterprises have formed the basis of the economy, unlike countries like India.

"As a result, there is income distribution across the country. A majority of them use indigenous raw materials and their market is also domestic. As they do not rely much on import they are largely immune from the ups and downs in the global economy."

The noted economist said microcredit has ensured credit flow to the rural economy. "International rating agency Moody's also said microfinance has supported the overall economic performance of the country and helped achieve the steady credit rating."

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Correction

A report under the headline "Local officials of StanChart, HSBC unaware of takeover bid" published yesterday mistakenly mentioned Bitopi Das Chowdhury as the corporate communications manager of Standard Chartered Bangladesh. Actually she is head of corporate affairs. We regret the mistake.

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