Star BUSINESS

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Sonali Bank scam may create trust crisis

BB warns banks against delay in LC settlement

STAR BUSINESS REPORT

The Tk 3,547 crore-scam in Sonali Bank may create a trust crisis in the banking industry, causing sufferings to businesses in settlement of letters of credit and inland bill purchasing (IBP).

"We'll lose Tk 2 crore in two weeks if banks continue to delay LC settlement," said Hasanuzzaman Tito, managing director of Pacific Group that is engaged in jute export.

Tito has an account with a private commercial bank that has become extra-cautious in accepting LC of state-owned Sonali Bank, he told The Daily Star yesterday.

Similarly, businesses are facing trouble with the IBP by banks. Banks buy these bills from businesses, particularly exporters, against LC for exports, provided that another bank has given acceptance to these bills.

The banks also practise the system in domestic business, meaning a seller of goods can sell his documents to a bank at a discounted price to meet his demand for cash. Here also, another bank has to give acceptance to these bills.

A central bank inspection recently unearthed the scam in Sonali Bank's Ruposhi Bangla Hotel branch.

Most of the Tk 3,547 crore was pocketed by textile company Hall-Mark Group in the name of selling export documents to the bank.

Sonali Bank's Ruposhi Bangla Hotel branch gave acceptance to the bills of Hall-Mark Group and many other banks bought these bills seeing the acceptance of Sonali Bank.

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PMO

Singapore's Senior Minister of State for Foreign and Home Affairs Zulkifli Masagos calls on Prime Minister Sheikh Hasina at her office in Dhaka yesterday.

H&M boss backs wage hike

STAR BUSINESS REPORT

H&M, the Swedish retail giant for clothing, yesterday suggested the government should increase wages for garment workers to help improve their living standards.

Chief executive of the company Karl-Johan Persson also asked for an annual review of the wages of the workers.

He spoke at a press briefing at Radisson Winter Garden Hotel in Dhaka. David Savman, chief representative of H&M in Bangladesh, was also present. Persson arrived in Dhaka on Monday.

H&M is increasing its business in Bangladesh by 10-15 percent year-on-year, said Persson.

"We have a long-term commitment to buy from Bangladesh. H&M is a responsible company; it is always careful about the workers' wages," said Persson.

"We met Prime Minister Sheikh Hasina and suggested an increase in wages and a yearly wage review for the workers in the textile industry," the H&M boss said.

Karl-Johan Persson

He urged the government to consider an annual review of the local minimum wage that takes national inflation and the consumer price index into consideration.

"Since 2010, there has been an increase in the inflation rate," he said. Food inflation hit 15.38 percent in April last year in the rural areas.

Since the minimum wage for garment workers was first introduced in 1994, it has been revised twice only, in 2006 and 2010, he said.

"If a proper review system is enforced, these revisions will help address the basic needs of the workers," he said.

This in turn will help employers and buyers work together and focus on productivity, Persson said.

"We believe it is in the interest of the Bangladesh textile industry, as well as in our interest, that the industry continues to develop into an advanced and mature textile industry," he said.

Stable markets in which people are treated with respect, and where the workers are properly compensated by their employers, are of the utmost importance, he said.

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PM urges Singapore to recruit more workers from Bangladesh

UNB, *Dhaka*

Prime Minister Sheikh Hasina yesterday urged the Singaporean government to recruit more skilled and semi-killed workers from Bangladesh, especially in the hospitality and services sectors.

The premier made the request when Singapore's Senior Minister of State for Foreign and Home Affairs Zulkifli Masagos called on her at the Prime Minister's Office.

The PM's Press Secretary Abul Kalam Azad briefed journalists after the meeting.

Hasina called upon the Singaporean government to import more Bangladeshi goods, including pharmaceuticals, ceramics and garment products.

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Bangladesh: the next hotspot for investment

Singapore's minister says more businesspeople will come here soon to explore opportunities

STAR BUSINESS REPORT

Bangladesh gradually becomes a preferred destination for Southeast Asian investors due to its cost competitiveness and a suitable geographical location, said a Singaporean minister yesterday.

"The world was defeated by the growth of China for more than half a decade. But the world today has decided 'China plus one' strategy," said Zulkifli Masagos, Singapore's senior minister of state for foreign and home affairs.

"Everyone is now looking beyond China for investment due to the rising production cost there, and Bangladesh could be such a place," said Masagos.

He spoke at a meeting with the leaders of Metropolitan Chamber of Commerce and Industry (MCCI) in Dhaka at the Chamber Building.

The "China plus one" strategy means that a company should invest not only in China but also in another country because the cost of production has gone up substantially in China.

The Japanese government adopted the strategy in 2008 to reduce the overdependence on China.

So, the global companies are looking for an alternative destination, Masagos said, adding that Bangladesh will have preferences because of its cost competitiveness.

He arrived in Dhaka on Saturday on a six-day visit. The minister said more Singaporean businesspeople are keen to invest in Bangladesh and more business delegations will come here soon to explore new opportunities.

He said Singapore is the second largest trading partner of Bangladesh among the South Asian countries after India.

The two-way trade between Bangladesh and Singapore is heavily tilted in favour of the city-state. Bangladesh imported goods worth nearly $1.7 billion from Singapore, but exported only $179.23 million in fiscal 2011-12, said MCCI President Amjad Khan Chowdhury.

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High duty takes toll on importers of used cars

GAZI TOWHID AHMED

Importers of used cars are going through tough times due to a high import duty and a cut in car loans by banks, businesspeople said.

Imports of used cars fell by more than 46 percent to 6,700 units during the January-June period this year, compared to the same period last year, customs data showed.

Local car sellers imported 12,500 units during January-June last year.

"A high import duty and declining car finance by banks affected imports," said Habib Ullah Dawn, a former president of Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA).

Banks earlier financed up to 70 percent of the value of a car. Now the maximum limit for financing is 30 percent, he said.

In the current budget, the government imposed a 45 percent supplementary duty on the import of a car with an engine capacity of 1.5 litre.

As a result, the total tax burden would be 129 percent on these vehicles, he said.

People's purchasing capacity has been on the decline in the recent times mainly due to a lack of liquidity in the banking channel, Dawn said.

Imports of used cars more than halved to 9,600 units in fiscal 2011-12 from 19,823 units in the previous year, according to BARVIDA statistics.

Dawn said the government increased import duty in each of the last three budgets.

Moreover, the importers are in trouble as the Japanese currency became stronger against the dollar, he said, adding, "We are losing $3,000 more on each 4-litre car."

More than 80 percent of Bangladesh's imported cars are reconditioned or used, mainly sourced from Japan and used by middle-income people.

Dawn said the government imposed a total of 830 percent duty on import of a four-litre car, which is the highest in the world.

India manufactures cars and yet has never imposed import duty more than 500 percent on used cars, he said.

Imports of used cars more than halved to 9,600 units in fiscal 2011-12 from 19,823 units in the previous year, according to BARVIDA statistics

Dawn, owner of Auto Museum, said the government's revenue from the sector has declined.

Compared to the previous year, revenue declined by 50 percent to Tk 1,100 crore last fiscal year, he added.

The local market of used cars witnessed a boom in 2009, when more than 38,000 units were imported, thanks to a surge in bank finance and a buying spree by the emerging upper middle class.

Bahalul Haque, owner of Modern Auto, said, "People ask about car prices, but do not buy." It is difficult to continue business, said Haque.

He demanded the government rationalise the import duty structure of old and new cars to ensure fair prices.

A balance between the import duties on reconditioned and new cars will remove the discriminatory prices in the local market, while the government will be able to realise a significant amount of additional revenue, he said.

Stocks close flat

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Stocks ended flat yesterday although the investors went on a buying spree anticipating a bull-run in the market.

DGEN, the benchmark General Index of the Dhaka Stock Exchange, finished the day at 4,482.39 points, after gaining 5.07 points or 0.11 percent.

Investors injected fresh funds into the market during the last few trading sessions anticipating a rally in prices, market analysts said.

The investors were hopeful of gaining some confidence, they said.

Many retail investors recovered some losses in the last few weeks, while institutional investors became active, the analysts said.

The institutional investors also remained hopeful as the Asian Development Bank and JICA extended the loan effectuation deadline for Padma bridge project, a stockbroker said.

"Improved turnover for the last eight straight sessions lifted investor confidence, which guided them to invest in the market. To do the same, profit taking and investment reallocation were dominant, said IDLC Investments in its market commentary.