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# Boards of state banks inactive for 3 months

## IMF asks govt to appoint directors as per Bangladesh Bank criteria

**REJAUL KARIM BYRON**

The boards of state banks have remained dysfunctional for more than three months as the government has been unable to appoint directors to the banks' highest policymaking panels.

Officials of these banks said they cannot take important decisions, including those for approving private sector loans and rescheduling loan proposals, in absence of the boards.

Finance ministry officials said the reconstitution of the boards is getting delayed as the finance minister finds it difficult to choose the right people for the posts after the recent scams and the allegation of involvement of their directors in the frauds.

The International Monetary Fund has also asked the government to appoint directors who meet the 'fit and proper' criteria of the central bank.

An IMF mission during its recent visit to Dhaka made the suggestion and the government also committed to go by the recommendation, a finance ministry official said.

Since the first week of September, about 40 posts of directors in different government-owned banks and financial institutions have been vacant. Of the posts, 26 are with Sonali, Janata and Agrani banks.

The managing director of a state

bank said the amount of default loan may increase much this year in absence of their boards.

He said loan rescheduling is not possible without the board's decision and for loan recovery, rescheduling is necessary.

*In absence of the boards, banks cannot take important decisions on approving private sector loans and rescheduling loan proposals*

The managing director of another bank said they contact the finance ministry almost every week, and the officials at the ministry assure them that the boards will be reconstituted next week but it does not happen.

The finance minister has contacted some eligible people and offered them directorship in the boards but they have rejected the proposals, the ministry officials told The Daily Star.

The officials said the finance min-

ister has been talking unofficially with the central bank on whether some of his choices can be appointed as directors.

They said many of the vested quarters are still lobbying for the posts of directors at the state banks.

There have been allegations that some of the directors take commission from businesses as well as individuals in helping them get loans from the banks.

After coming to power in 2009, the present government appointed some former leaders of Jubo League and Chhatra League, the youth and student wings of the ruling Awami League, as the directors of the banks.

The state banks had made some progress as a result of the implementation of the World Bank's financial sector reform programme but it was hampered in the recent times due to the interference by some directors with political affiliation.

The central bank also warned the boards of the banks and the finance minister several times about such interference.

In December 2010, the central bank's board also discussed the issue of interference by the state banks' directors. The board expressed concern over the matter and decided to convey the concern to the government in writing.

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# Demand for consumer products erodes

**SAJJADUR RAHMAN**

The demand for consumer products has declined in recent months due to a fall in consumers' disposable income, manufacturers said.

Their sales have gone down more in rural areas than among the urban people, they added.

"I've noticed a significant drop in demand this year," said Nasiruddin Biswas, managing director of Nasir Group of Industries that has a wide range of products, including melamine, sneakers, glass and cigarettes.

"Our sales have fallen significantly since the beginning of 2012-13 (July-June)," he said.

He said melamine sales have gone down by 30 percent and sneakers by 40 percent.

They now sell 5,000 pairs of sneakers a day from 8,000 pairs in 2011-12, he added.

Nasir Group sold 5,000 tonnes of float glass a month in 2011, but the volume has come down to 3,200 tonnes now.

"Now I'm spending most of my time with the marketing department to boost sales, but it's not working," he said.

Biswas linked the slump in demand to a fall in farmers' income.

"Farmers do not get fair prices for their cash-generating crops such as

paddy, jute and tobacco," he said.

Consumer products are the manufactured goods that are purchased primarily for personal, family and household purposes.

These products include major household appliances, processed food and beverages, sugar, edible oil, apparels, sneakers and shoes, furniture, toys and jewellery.

According to manufacturers, sales of the consumer products have gone down, on average, by 20 percent this year compared to those a year ago.

Locally produced cigarettes and beverages were hit hard as their sales fell by as high as 30 percent.

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## SEC launches surveillance software today

STAR BUSINESS REPORT

The Securities and Exchange Commission will launch its own surveillance software today in an effort to detect manipulative stock trading in the secondary market.

Currently, the regulator watches over stock trading manually with the help of the Dhaka and Chittagong stock exchanges.

"After the launch of the software, the SEC will oversee the markets in an integrated and comprehensive way," said Saifur Rahman, a spokesman for the SEC.

The development and installation of the new software is under a project co-funded by the government and the Asian Development Bank.

Finance Minister AMA Muhiith will inaugurate the software.

Though the software will be launched today, the regulator would take a few more days to get used to the new system before starting the full-fledged operation, said Rahman, also an executive director of the SEC.

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# Indo-Bangla joint venture to make jewellery locally



GAZI TOWHID AHMED

Rocks Creation of Bangladesh and Shree Ganesh Jewellery House of India plan to set up a jewellery manufacturing unit in Bangladesh to tap into the local market.

The partnership is a 50:50 joint venture worth Tk 100 crore.

"Bangladesh has a tradition of producing the finest quality gold ornaments in South Asia, but the industry has not been able to grow," said Pankaj Kumar Parekh, vice-chairman of the Gem and Jewellery Export Promotion Council of India.

"Considering the cultural synergies in consumer requirements, the tie-up will allow us to explore the emerging market in Bangladesh."

Parekh said they will also explore the prospect of exporting to the US market as Bangladesh is a beneficiary under the US Generalised System of Preferences programme for jewellery.

"The joint venture will be a win-win situation for both the countries. It will provide direct employment and training to 200 craftsmen," he said, adding that they plan to go to production in the next

five months.

Gold jewellery, both plain and studded with diamonds and other precious and semi-precious stones, will be produced at the unit which would have an annual manufacturing capacity of 200 kg of gold jewellery.

"Rocks Creation will provide local support to the manufacturing unit at Uttara and help in retailing the products to the Bangladeshi consumers," said Ibnul Hasan, chairman of Rocks Creation of Bangladesh.

While the Kolkata-based Shree Ganesh will provide the raw materials and technical expertise, he added.

"We can offer lower prices than in India if the government reduces the import duty of gold. Presently, we are paying 62 percent duty, which is totally absurd," he said.

Hasan urged the government to revise the duty structure, adding: "We will manufacture ornaments locally. The government should allow us to sell the wastage so that we can offer low prices to the customers."

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