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DHAKA FRIDAY JUNE 14, 2013, e-mail:business@thedailystar.net

COMMODITIES

# Surplus funds push banks to cut rates

SAJJADUR RAHMAN

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Rising surplus funds have forced private commercial banks to cut their lending and deposit rates by 1 percentage point, the first in three years, bankers said.

The banks are now charging 15 percent for lending instead of 16 percent a month ago. For deposits, they are offering 11.5-12 percent, which was 12.5-13 percent

mitigate the impact of the global recession. "We are sitting on excess funds and that's why we are

They had reduced their interest rates last in 2009 to

discouraging fixed deposits at the moment," said Anis A Khan, managing director of Mutual Trust Bank.

The private bank's excess fund has now reached a two-



year high due to a slowdown in the investment demand.

Banks' loanable funds rose by Tk 23,823 crore to nearly Tk 69,500 crore in the first ten months of the current fiscal year, according to Bangladesh Bank.

The growth of excess liquidity has also brought down the inter-bank call money rate to 7 percent.

"Interest rates are on the decline and if the amount of non-performing loans falls, the interest rates will come down further," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

Chowdhury said his bank has no pressure for deposits now and accordingly, he has cut the deposit rate by 1 percentage point recently. Pubali is now offering loans at 13.5 percent for "big but good" clients. The fall in demand for credit is also evident in the

banks' loan-deposit ratio (LDR) and private sector credit growth. Most of the banks' LDR hovers between 70 percent

and 72 percent, which is significantly lower than the BB's permissible limit of 85 percent. The private sector credit growth went down to a 10-

year low to 12.72 percent in April. Amid this situation, the BB last month relaxed its

provisioning rules to help the banks get around Tk 500 crore in fresh investable funds.

SA Farooqui, managing director of Standard Bank, also echoed the same on the interest rate trends. "I hope the lending rate will go down further in a few months." Non-bank financial institutions that rely on banks for

funds also said they are getting loans from banks at lower rates in recent times. "Our borrowing cost from banks has reduced by 1

percentage point," said Asad Khan, managing director of Prime Finance.

sajjad@thedailystar.net

#### Mobile users' migration on same numbers soon

STANDARD CHARTERED BANK

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Mobile users will soon be able to migrate from one operator to another with the same cell number, thanks to an initiative, known as mobile number portability (MNP).

Bangladesh Telecommunication Regulatory Commission directed the operators to complete the process of implementing MNP in seven months.

The mobile subscribers will have the opportunity to choose services of any operator without having to change SIM cards, BTRC said in a notice on its website.

The service will cost a maximum of Tk 50, and operators will take 72 hours from a client's application for registration -- to complete network migration.

Customers will be barred from changing operators within 45 days of migration.

The new initiative will help improve services in the sector, an analyst said.



Smoke billows out of Arba Textile Ltd housed in a six-storey building in Ashulia, after a fire started at the factory yesterday. Ten workers suffered minor injuries. Story on page 5

## GSP verdict this month: official

Bangladesh will not need to pay for patent rights until 2021

REFAYET ULLAH MIRDHA

The United States Trade Representative may hand down the verdict, by this month, on whether Bangladesh will continue to enjoy the generalised system of preferences in the US market, an official said yesterday.

The USTR, the chief trade negotiator for the US president, was supposed to give the verdict in May, but later the date was postponed to early June, Commerce Secretary Mahbub Ahmed said. The USTR is taking time to observe the developments after the Rana Plaza collapse, Ahmed told reporters at his secretariat in Dhaka.

"Now, I think the verdict may come by June," said Ahmed, who led a 14-member billion to the US market. Bangladesh team at a USTR hearing on the

continuation of the trade benefit on March 28 in Washington. "I am still hopeful about a positive outcome from the hearing."

The American Federation of Labour and Congress of Industrial Organisation (AFL-CIO) and some senators put pressure on the USTR to discontinue the benefit.

The devastating fire at Tazreen Fashions that killed 112 workers in November last year prompted the AFL-CIO, the largest trade union in the US, and some other quarters to make the call.

Under the GSP scheme, Bangladesh enjoys duty-free benefit for some selected goods such as plastic products and ceramics, but the amount is only 0.54 percent of the country's total annual exports of \$5

proliferation of inspections could

signal the industry is finally taking

for everybody" to ensure their

buildings were structurally sound,

said Shahidullah Azim, vice presi-

dent of the Bangladesh Garment

Manufacturers and Exporters

Rana Plaza was "a wakeup call

its workers' safety seriously.

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#### PADMA BRIDGE

#### WB report incomplete but objective: Muhith

STAR BUSINESS REPORT

The report by the World Bank's external panel of experts on the Padma bridge project was incomplete but objective, Finance Minister AMA Muhith said yesterday.

"The report did not say anything clearly," he said at

a function where Sonali Bank (UK) Ltd handed over its dividends for 2012 to the government. An external panel led by Argentine Judge Luis Moreno Ocampo conducted an investigation into the

allegations of graft in the Padma bridge project, the report of which was handed over to Muhith on Tuesday by Johannes Zutt, WB's country director. "It has included two to three names that I am not

aware of. But their main objection is regarding the former communications minister Syed Abul Hossain, although our Anti-Corruption Commission found nothing against him." Muhith said he would give his full opinion on the

report on Monday, and requested the WB to attach his statement with the report if they decide to upload it on to their website.

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### Factories must have 25pc open space on rooftops

Govt won't renew their fire licences if the condition is not met

REFAYET ULLAH MIRDHA

The government's fire department will not renew the fire licences of garment factories that do not have at least 25 percent open space on their rooftops.

"The renewal of the fire licences will start from next month. If any factory fails to comply with the rules by this time, we will not renew their licences," said Ali Ahmed Khan, director general of Bangladesh Fire Service and Civil Defence.

Many of the factories have tin-shed extensions on their rooftops, and in many cases, the extensions span all throughout the floor, leaving hardly any open space for emergency exits.

The government in 2010 made it mandatory for factories to spare 25 percent space

two engineers each -- a structural

expert and a foundation expert -to conduct initial inspections,

examining a building's support

columns, frame, foundation and

the soil it was built on, said

Mujibur Rahman, head of the

university's department of civil

sophisticated equipment will be

completed in the coming months.

some of the inspections of about

200 buildings -- many of them

garment factories -- on condition

the factories not be identified. The

owners volunteered their build-

ings for inspection -- even paying

for the surveys -- a decision that

suggests they are among the more

safety conscious in the industry.

The remainder of the country's

4,000 garment factories could be

showed that many of the factories

appeared safe, some had problems

While initial inspections

Rahman said further tests using

AP was shown initial results of

engineering.

garment factory in Gazipur, where 21 died from smoke inhalation.

Later in February 2011, Begum Monnujan Sufian, state minister for labour and employment, instructed the sector's trade bodies to remove illegal tin-sheds from the

rooftops of all factories. Despite several reminders, many garment factories are yet to go by the instruc-

Shahidullah Azim, vice-president of Bangladesh Garment Manufacturers and Exporters Association, however, said they

refuse renewal of membership if a factory fails to comply with the rule. Meanwhile, the fire department on June 3 sent letters to inform the secretaries of the

ministries of commerce, home affairs and industries, of its decision, said Khan of the on the rooftop following a deadly fire at a Fire Service and Civil Defence.

# Bangladesh factory flaws hit spotlight

Bangladeshi garment factories are routinely built without consulting engineers. Many are located in commercial or residential buildings not designed to withstand the stress of heavy manufacturing. Some add illegal extra floors atop support columns too weak to hold them, according to a survey of scores of factories by an engineering university that was shown to The Associated Press.

A separate inspection, by the garment industry, of 200 risky factories found that 10 percent of them were so dangerous that they were ordered to shut. The textiles minister said a third inspection, conducted by the government, could show that as many as 300 factories were unsafe.

Taken together, the findings offer the first broad look at just how unsafe the working conditions are for the garment workers who produce clothing for major western brands. And it's more bad news for the \$20 billion industry that has been struggling to regain the confidence of Western retailers and consumers following a November fire at the Tazreen Fashions Ltd. factory that killed 112 people and the April collapse of the Rana Plaza building that killed 1,131 people in the worst

garment industry tragedy. But the



"Earlier it was not in our minds.

We never, ever thought of this," he

factory building to collapse in

Association.

The April collapse of Rana Plaza that killed 1,131 people came as bad news for the \$20 billion garment industry.

so serious that engineers recomwas also found to have illegal After the Rana collapse, the government and the garment

worse, said Rahman.

mended they be immediately shut down. Others were told to seal off the illegal floors at the tops of their buildings and gingerly remove the heavy equipment stored there. "There were buildings that we

found that were really critical and we

asked them to immediately vacate

### Regulator calls aspiring insurers to hearing on business plans

GAZI TOWHID AHMED

The insurance regulator on Tuesday summoned the 77 aspiring insurance companies to a hearing between June 16-20 to quiz about their business plans and financial strength.

The move comes after the Insurance Development and Regulatory Authority (IDRA) found a host of inconsistencies during preliminary inspections into the applications received between April and May for new companies, a senior official of IDRA said, prefer-

ring to remain unnamed. "We noticed that some applicants have problems in their paid-up capital and security deposits with Bangladesh Bank, while some did not even meet the

eligibility criteria but sent in their applications." Only two representatives from each aspirant company will be allowed to attend the hearing.

The government in February sought applications for new insurance companies, in a bid to enhance the sector. The intention was to award licences to ruling party higher-ups and businesses with strong political links, ahead of the end of its tenure.

Of the 77 applicants, only 10-12 would be given the licence to set up life insurance companies, according to a finance ministry official.

There are 62 insurance companies at present, of which 43 are general insurers, 18 life insurers and 1 non-life insurer.

Total premium earned by the life insurers was nearly Tk 6,000 crore in 2011, up 20 percent from a year ago.

Earlier, the Awami League-led government issued 11 licences for new insurance companies in 1996-2001, with three given on the last day of the government under controversial circumstances in 2001.

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Bangladesh. In 2005, the Spectrum Engineering and Technology to sweater factory crumbled on top of begin evaluating the buildings. those buildings," Rahman said. The university formed 15 teams of workers, killing 64. That building

Bangladesh University of

additions.

But Rana Plaza wasn't the first manufacturers asked the