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DHAKA TUESDAY JULY 2, 2013, e-mail:business@thedailystar.net

Micro-borrowers not trapped in debt: study

Microcredit helps borrowers earn more, build up assets

STAR BUSINESS REPORT

Microcredit has helped borrowers earn and consume more, accumulate assets, invest in children's schooling, and move out of poverty, according to a recent study.

The study showed significant welfare gains resulting from microcredit participants, especially women.

The accrued benefits of borrowing also outweighed accumulated debt, said the study that tracked the changes microcredit has brought in more than 2,000 households in 20 years.

Both participants and non-participants of microcredit gained over the last 20 years but poverty reduction was higher for participants than for the non-participants, said Shahidur R Khandker, lead economist of the World Bank.

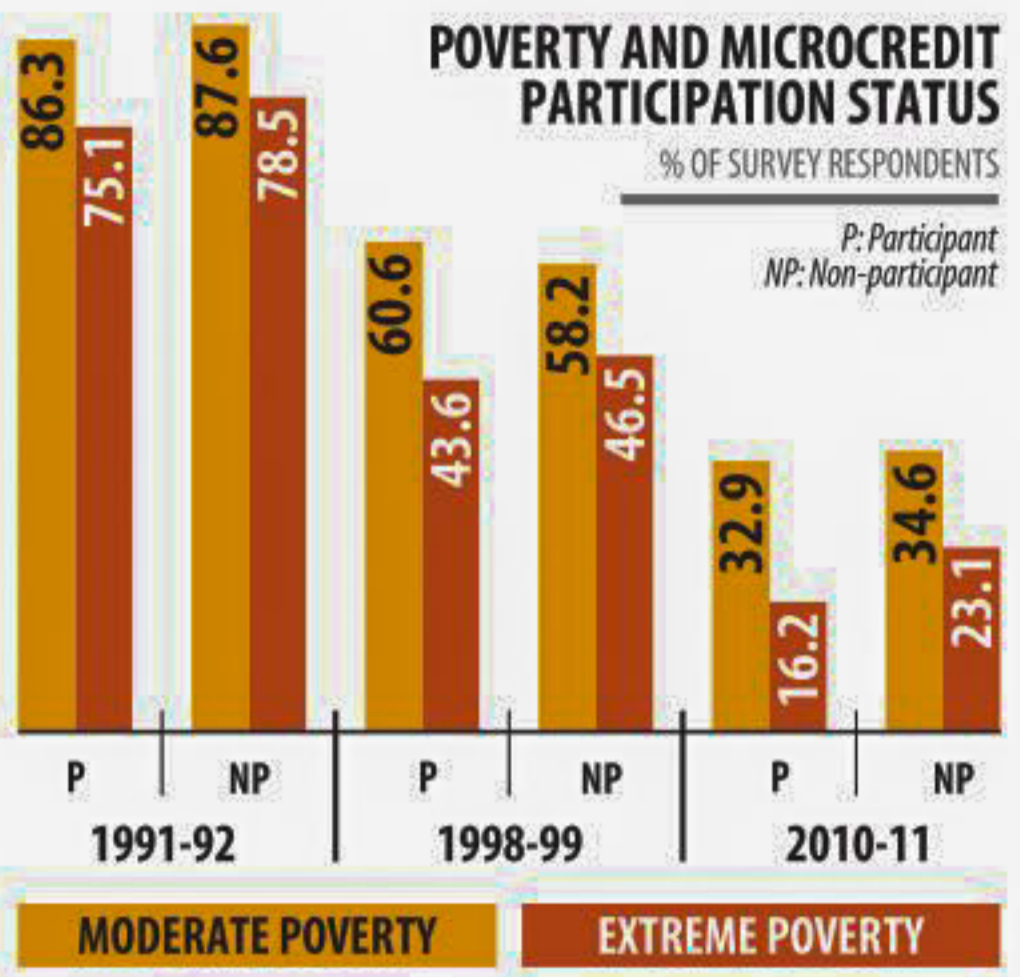
The WB and Institute of Microfinance, a research organisation in Bangladesh, jointly conducted the study.

The rate of extreme poverty declined by 2.95 percent a year among the microcredit recipients, while the rate was 2.77 percent for the non-participants, he said.

Khandker shared the findings of the study at a discussion on "are microcredit participants in Bangladesh trapped in poverty and debt?" organised by the microfinance institute at the auditorium of Palli Karma-Sahayak Foundation in the city yesterday.

"This is not to say that the non-participants have failed to progress over the period. Both the participants and non-participants have gained as the economy has grown," he said.

The amount of household net worth rose by 320 percent to Tk 2.87 lakh among the microcredit participants during fiscal 1992-2011, while such net worth increased to Tk 2.69 lakh among the non-



participants, according to the study.

"So borrowers are not trapped in poverty or debt due to microcredit," said Khandker, who is also the team leader of the study -- Long-term Dynamics of Microcredit Programmes in Bangladesh.

The study also said long-term membership with a microfinance institute is not bad as continuous participation is not necessarily a liability.

Extreme poverty reduction was 3.2 percent for average and 3.6 percent for continuous participants, it said.

Khandker said welfare gains still vary by programme. Grameen Bank has the highest impacts on income gains, while BRAC has the highest effect on social gains.

He said income gains are as high as the average cost of borrowing (average returns of 36 percent against 32 percent interest rates).

Khandker, however, said all participants do not benefit equally as "microfinance is not a cure for all."

"It's a very powerful study as the survey is based

on '20-year panel data' on the same households," said Mahabub Hossain, executive director of BRAC, a leading non-government organisation.

Incidence of borrowing was only 26 percent in 1991, whereas it is 69 percent in 2011, and the average size of borrowing registered a 4 percent growth annually over the last 20 years, he said.

He stressed targeting the extreme poor while designing beneficiary groups as it will bring more impact on poverty reduction.

"It's clear that microfinance can protect households from shocks, contribute to changing societal norms about the role of women in society and lead to some households moving out of poverty," said Atiur Rahman, governor of Bangladesh Bank.

Overall, it has played its part in the impressive progress Bangladesh has made in poverty reduction over the past two decades, he said.

But not everyone utilises loans productively and there is a risk of falling into over-indebtedness. So, the role of microfinance should be strengthened through further innovations which take into account these pitfalls, he said.

Microcredit is obviously helpful to reduce poverty. But it is time to reexamine the traditional model, said Qazi Kholiuzzaman Ahmad, chairman of the institute.

The system of weekly loan recovery should change and half yearly or yearly recovery systems should be in place, he said.

He also stressed the need for including a number of issues such as education and healthcare in the microcredit programmes for sustainable development.

Quazi Mesbahuddin Ahmed, former managing director of PKSE, and MA Sattar Mandal, a member of the Planning Commission, also spoke.

Prices of sugar, cooking oil fixed for Ramadan

STAR BUSINESS REPORT

Traders yesterday fixed the prices of sugar and edible oil for the month of Ramadan starting next week.

The mill gate price of per kilogram sugar has been set at Tk 41.5, while the maximum wholesale price at Tk 42.5 and the retail price at Tk 45.5.

As for palm oil, the mill gate price will be Tk 69 per litre, the wholesale price at most Tk 70 and the retail price between Tk 73 and Tk 75.

The mill gate price of soybean (loose) oil has been fixed at Tk 101 a litre, the wholesale price Tk 102 and the retail price Tk 105, the commerce ministry said in a statement.

Likewise, the price of per litre bottled soybean oil would be Tk 127 instead of Tk 132.

The decision came at a meeting chaired by Commerce Secretary Mahubub Ahmed.

The Federation of Bangladesh Chambers of Commerce and Industry will hang a list at every market to ensure that the prices are upheld.

Additionally, the government's monitoring teams would strengthen their surveillance during the month of Ramadan.

Meanwhile, the prices of other essential items such as gram, lentil and date, too, have been decided: they would remain as usual.

Banks' profits fall

REJAUL KARIM BYRON

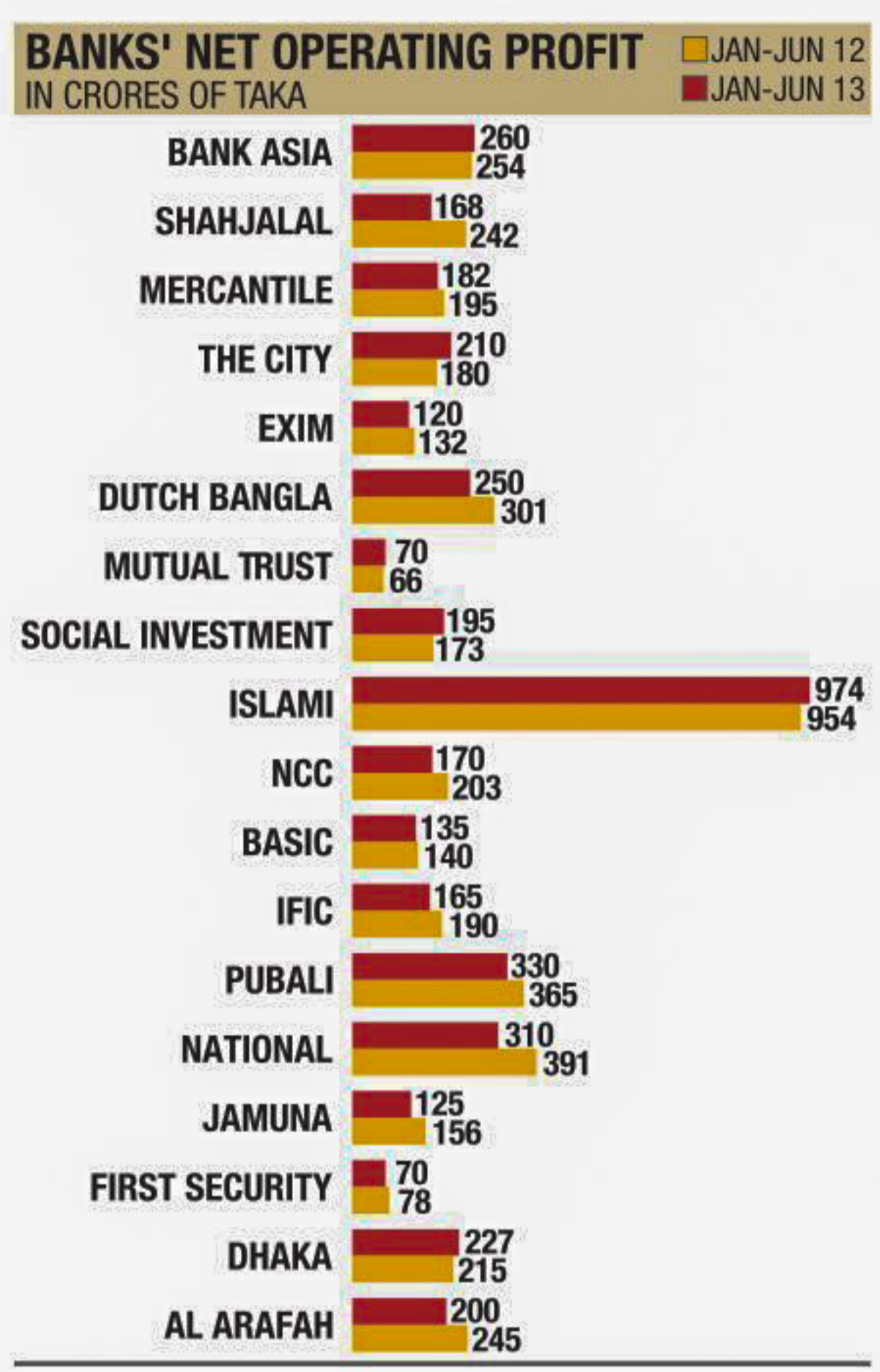
Private banks saw a fall in their operating profit in the first six months this year due to an increase in default loans, sluggish import and political unrest.

Of the 30 private banks except the new ones, 14 marked a decline in operating profit, while four witnessed a slight rise, according to provisional data. The data of the rest was not immediately available.

A Bangladesh Bank official said political unrest, coupled with countrywide shutdowns and violence, has negatively impacted banking business in the first half of the year.

The private sector credit growth was 12.7 percent in April, down from 16.6 percent in December last year, according to BB data.

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Bangladesh's tale of T-shirts

Bangladesh known for cheap labour produces garments for designer labels as well as discount chains

THE WALL STREET JOURNAL

Cheap garment-factory labour doesn't always equal cheap clothes.

The availability of low-cost workers has sent mass-market clothing labels of all stripes -- H&M, Gap, Wal-Mart, Zara and others -- into Bangladesh's \$20 billion garment industry.

But designer brands including Giorgio Armani, Ralph Lauren and Hugo Boss also have outsourced manufacturing to Bangladesh, where worker safety has become a huge issue following several fatal accidents. Indeed, high-end labels often use the same factories as their discount peers.

Giorgio Armani last year received shipment of 21,600 pounds of T-shirts and underwear made in a factory in the port city of Chittagong, according to the shipping records. A nearby factory supplied women's pants to Michael Kors.

Armani said the Italian fashion house produces a "relatively small number of items" in Bangladesh. "The commonly held assumption that all manufacturing conditions there are inadequate is not a fair reflection of the reality of the situation and does that country a disservice," Armani said.

A Michael Kors spokeswoman said it has sourced from Bangladesh "very sparingly."

Fashion's most basic item, the T-shirt, highlights the high-low incongruity.

At shops in London, a Bangladesh-made T-shirt from designer-denim brand G-Star Raw



has a price tag of £60 (\$91.25) -- 15 times the £4 Wal-Mart's Asda chain charges for one of its basic men's white Ts, sold under the George label. Bangladesh-made Ts cost £35 at Replay, an Italy-based chain specialising in casual clothes in distressed fabrics. Simple grey printed Tommy Hilfiger Ts cost \$39.99 on Amazon.com.

The array of prices for clothing made in Bangladesh exposes how far-removed a garment's retail price is from its production cost -- and how small a sliver goes to the factory that makes it.

Though there are small differences in what goes into a T-shirt, the biggest determinant of its price is its brand name, experts say.

"Brands like Tommy Hilfiger, Calvin Klein or Giorgio Armani have a price point that is higher because the brand has a reputation and that makes a difference," says Ralston Fernandez, senior vice-president for operations at ZXY Apparel Buying Solutions, a Bangladesh buying house that places orders for retailers at local factories.

Retail prices include other costs, such as advertising, rent on the boutique and salaries for the salespeople.

With a T-shirt, at least half of the production cost comes from the raw material, says Bakhtiar Uddin Ahmed, the general manager at Fakir Apparels, a T-shirt factory with clients such as H&M, Primark, Puma and G-Star Raw. Fakir Apparels buys a kilo of Bangladesh cotton for \$3.80, enough for four shirts.

Some high-end brands opt for long-fibered Pima cotton, grown in the US, because it can survive more washing. A kilo of Pima costs about \$5.50, says ZXY's Fernandez.

Adding in polyester or viscose can help lower the cost. Yet some of the cheapest T-shirts made in Bangladesh are 100 percent cotton, such as £4 Tesco and Wal-Mart items, while the £35 Replay shirt is a blend of cotton and viscose.

After cotton comes the labour. The government in Bangladesh, facing pressure to improve working conditions following a factory collapse two months ago that killed more than 1,100 people, has committed to raising the minimum wage, which is currently \$38 a month, a quarter of China's. Doubling it would add about 10 to 12 cents to the cost of making a basic T-shirt, according to Abby Jamal, managing director of ZXY

Apparel, the Dhaka-based buying house. Retailers such as H&M have said they would absorb higher labour costs.

To be sure, high-end shirts are more likely to have little extras, and each embellishment adds a few cents to the cost. The pocket on the £60 G-Star Raw T-shirt likely requires two or three more workers in the production line, estimates Mohammad Zulficar Ali, executive director at the Bangladesh office of global buying house Synergies Worldwide.

He also points out the high-quality contrast piping that covers the neck seam, as well as two stamp-sized labels -- one in leather -- adorning the shirt, and a black price tag attached with a string. "These tags are very expensive tags," he says.

Quality differences are also seen in printing processes. Observing a £6 grey Primark T-shirt with a black Iron Man design, Ali describes it as "a very cheap rubber print," which could cost 10 to 12 cents apiece to add. The orange print on a \$39.99 Hilfiger Denim T-shirt is higher quality and could cost twice that, says Ali.

READ MORE ON B3

NBR launches online TIN registration

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday launched a portal to obtain taxpayer identification number (TIN) online, a major step towards the government's desired electronic tax payment system.

Under the new initiative, one has to log on to the NBR's website -- incometax.gov.bd -- and provide details which include the national identity card number, mobile phone number and e-mail address, to get TIN online.

The existing TIN holders will have to re-register by December 31, 2013 for new 12-digit numbers, which will replace the current 10-digit numbers on January 1, 2014.

Companies will have to re-register as well by submitting their registration numbers obtained from the Registrar of Joint Stock of Companies and Firms (RJSC).

The new TIN would have to be used for tax returns for fiscal 2013-14, said the tax authority in a statement.

"This is a massive step towards the online tax payment system," said Finance Minister AMA Muhith at the portal's launch ceremony at Ruposhi Bangla Hotel.

The move would clean up the existing database, which contains thousands of fake TINs, said NBR Chairman Ghulam Hussain.

Following a cleansing drive, the NBR found that of the 32 lakh TIN issued so far, only 17 lakh of them are active.

"We have thrown the rest of the TINs out as they have either become dormant or were issued for fraud purposes."

Under the e-TIN registration process, the NBR will cross-examine the information provided with the national ID database

preserved at the Election Commission and RJSC online. If the information provided by applicants is found correct, the TIN would be issued online instantly.

"Such live sharing of database will facilitate us to verify information and stop fraudulence in getting TIN," Hussain said.

Moreover, the process will prevent forgery of TIN certificates as the ones issued online would have digital security encryption and QR code, said the tax authority.

The e-TIN registration will also help various agencies such as Bangladesh Road Transport Authority, RJSC, Banks and Land Registration Authority to verify the authenticity of TINs claimed by service seekers.

But those without national ID cards will have to use their passport numbers and upload a passport-sized photograph for registration.

Adolescents wishing to get TINs can use their parents' national ID numbers, while foreign nationals would have to provide their passport numbers, mobile numbers and e-mail address.

At present, 11.64 lakh people pay taxes, which is less than 1 percent of the 15 crore population.

"Very few people pay taxes. Many get TINs but do not submit returns," said Muhith, adding that the income tax has now become the second major source of revenue for the government followed by value-added tax.

The finance minister hopes to convert one percent of the population into taxpayers by fiscal 2014-15, and 3-5 percent in the later years.

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Fifteen applications for new India bank licences

AFP, Mumbai

Fifteen Indian companies said they had filed applications for new banking licences before a deadline on Monday, in the first opening of the market in more than a decade.

Large industrial groups have for the first time been allowed to apply, with the Anil Ambani Reliance group, engineering

giant Larsen and Toubro and the Aditya Birla group taking advantage of the new regulations.

Videcon Industries, the Bajaj group, Religare Capital Markets, Infrastructure Development Finance Company, Edelweiss, India Infoline and Industrial Finance Corporation of India have also declared their interest.

Heartiest Congratulations
 Our Honourable Managing Director Engr. H.M. Jahidul Islam has been Re-elected as General Secretary of "Steel Building Manufacturers Association of Bangladesh (SBMA)" for the term of 2013-2015. We firmly believe that SBMA will achieve its goal under his strong guidance and leadership which directly fulfill the requirements of Steel Building Manufacturers and their clients & enhance the socio economic development of Bangladesh.
 We, the Board of Directors, Engineers, Officers and Staffs congratulate him heartily on this auspicious occasion.
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