

Garment makers chase growth despite factory disasters

THE FINANCIAL TIMES

Three months after the Rana Plaza factory building collapsed, crushing more than 1,100 people to death, garment makers in the nearby industrial zone of Gazipur appear as busy as ever in an industry that employs 4m Bangladeshis and accounts for most of the country's exports.

Labels on the lacy, plum-coloured tank-tops produced by some of the 7,000 workers at the Echotex factory in Gazipur are already printed with Christmas greetings and will be shipped to the UK next month. They are among the millions of garments made each year by the factory for retailers such as JSainsbury, New Look and Fat Face.

Each line of workers produces about five completed items of clothing a minute, and Echotex is planning to expand the factory from 50 lines to 70.

"There's no negative impact on export orders," says Atiur Rahman, governor of Bangladesh Bank, the

central bank, when asked about the state of the garment industry after one of the world's worst-ever industrial disasters. "In fact, export orders may have increased."

Factory owners and economists are not so sure, with some expecting data for orders executed after the Rana Plaza catastrophe to show clothing exports have been affected.

Bangladesh's clothing shipments have risen fivefold in the past decade to more than \$24bn a year, making the country the world's second-largest garment exporter by value after China. But criticism of the country's safety record has put pressure on some foreign companies to withdraw their business.

Disney, previously an Echotex customer, decided to withdraw from Bangladesh in March after a fire at Tazreen Fashions last November killed 112 garment workers.

While Redwan Chowdhury, Echotex's director of human resources, says the withdrawal will

not greatly affect Echotex's business, he worries such pull-outs might send a negative signal to the rest of the world. "That will affect the reputation of the country as a whole," he said.

Rubana Huq, managing director of Mohammadi Group, another large clothing company, said the Rana Plaza disaster has made international buyers extremely careful about the Bangladeshi producers they deal with and prompted them to look at alternative manufacturing countries.

"Customers have been looking at Cambodia very seriously. I wouldn't be surprised if we had a 5-10 percent shift," she said. "Bigger brands have continued purchasing in the same manner at the same pace from Bangladesh, but there are brands and retailers that did not have big stakes, like Disney, and there is some shying away [from Bangladesh]."

Government ministers, factory owners and trade unionists, however, agree that in the long run, the Bangladeshi garment industry is

likely to keep expanding rapidly -- provided there are no further catastrophic accidents.

That is because wages in China, by far the biggest exporter, are increasing rapidly and only Bangladesh among its competitors has the combination of low wages, a large workforce and the right skills to produce clothes rapidly and in large quantities for global retailers. Those Echotex-made tank-tops, which cost about \$4 to make, will go on sale in UK high streets for £18.

What is likely to change is the structure of Bangladesh's garment industry and its 5,500 factories, with the large, modern manufacturers taking over or imposing safety controls on the hundreds of subcontractors that have sprung up to serve them at times of high demand. Some could be forced to move to new premises or even close.

The twin disasters of Rana Plaza and Tazreen -- and the safety and ethics audits hurriedly commissioned by buyers and big brands to inspect the factories that make their

clothes -- have uncovered a gulf in safety standards and labour practices between the best and the worst.

At Rana Plaza -- a badly built structure whose owner built illegal extra floors to rent to garment makers -- supervisors at the five clothes companies in the building ordered employees to work on the day of the collapse, even after cracks appeared in the concrete pillars and floors the day before.

It is hard to imagine such a sequence of events at Echotex's purpose-built factory in Gazipur. Chowdhury proudly shows off facilities rare in Bangladeshi industry: sophisticated fire safety equipment; a three-stage effluent treatment plant; a crèche; and a kitchen that cooks free lunches for employees. Add in the range of bonuses and social security benefits offered to workers, and staff retention is high. The average turnover of employees in the Bangladesh garment industry is about 12 percent a month, according to Chowdhury. "We are at 3 or 4 percent," he says.



Syed Naved Husain, chief executive officer of Beximco Textiles Ltd, receives a certificate yesterday after a joint impact evaluation of GIZ, IPA and University of Warwick awarded for successful completion of training and promotion of women operators in the garment sector.

BEF picks new office bearers

STAR BUSINESS DESK

Tapan Chowdhury was elected president of Bangladesh Employers' Federation for the 2013-15 term, a statement said yesterday.

Chowdhury is the current managing director of Square Pharmaceuticals Ltd. He is also a former president of Metropolitan Chamber of Commerce and Industry Dhaka, and a former advisor to the caretaker government.

Also, Sabrina Yasmin, director of Osman Textiles Ltd, was elected vice president of the forum.

Yasmin also serves as director of Concorde Garments Ltd and president of Women Entrepreneurs Association, Bangladesh.



Tapan Chowdhury

Banglalink changes company name

Robi's proposal in pipeline

STAR BUSINESS REPORT

Mobile operator Banglalink yesterday got approval from the government to change its name to Banglalink Digital Communications from Orascom Telecom Bangladesh Ltd.

Sunil Kanti Bose, chairman of Bangladesh Telecommunication Regulatory Commission, confirmed it.

The change in the name of the second largest mobile operator came after the merger of its parent company Egypt-based Orascom Holdings with Amsterdam-based VimpelCom.

However, the operator's brand name, Banglalink, will remain unchanged. Another operator, Robi, is still in the process of changing its name to Robi Axiata Ltd from Axiata Bangladesh Ltd.

Index soon to rank garment units: Yunus

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Yunus said the Garment Industry Transparency Index (GIITI) would be formulated in the model of the Transparency International's Extractive Industries Transparency Initiative (EITI).

The first meeting of the GIITI is expected to take place in Berlin in late August or early September.

"Transparency International has shown interest to help formulate the index," he said.

EITI is an international standard that ensures transparency around countries' oil, gas and mineral resources.

Yunus, the founder of Grameen Bank, has been vocal for the rights of Bangladesh's millions of garment workers, whose wages are the lowest in the world.

Yunus said many global retailers have responded to his call to set an international minimum wage for garment workers around the world.

He also detailed how a 'Happy Workers Tag', another brainchild of the microcredit pioneer, could give a decent living to the workers.

"Many brands and retailers are convinced because ultimately it does not cost them at all, as the consumers will pay the extra price for the product," he said.

On social business, Yunus said time has come to introduce an MBA programme on social business.

"Our traditional MBA courses teach students how to employ energies and techniques to maximise profits for companies. There is nothing wrong with that."

"But we will have to launch an MBA course that will teach students how to use their business acumen to solve social problems. They will do so in a way that makes business self-sufficient. The social businesses will not target for profit maximisation, but for achieving solutions to problems."

He said social businesses are needed because the traditional businesses remain so focused on their profit maximisation goals that they cannot think of many other things.

Yunus said companies still solve social problems through charity or corporate social responsibility. "But this grant or charity is one-off and the investment does not come back."

"Of course, charity is a good thing. But it will be a great thing if we can spend the grant or charity funds in a way that solves social problems and recoups the initial investment."

"Then we will be able to reinvest the initial money again and again. By doing so, we will be able to create an engine that runs on its own and creates social impact."

Prof Yunus praised Prof Siddiqui for initiating business administration education in the country and termed him an "architect of higher education".

"He has proved that the business administration could be taught in Bangladesh," Yunus said.

Siddiqui said the country's MBA graduates will have to inculcate selflessness in their business. "Business leaders can really establish peace in the world through ethical business practices."

Bangladesh MBA Association President Mamun Rashid also spoke.

3G auction date put back once again

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The regulator also extended the application deadline for participating in the auction to August 12, from August 1.

The much-hyped auction was scheduled for September 2, after facing delays for two times.



A Rouf Chowdhury, chairman of Bank Asia, speaks at the half-yearly business conference of the bank's branches under cluster-5 at its corporate office in Dhaka on Monday. AM Nurul Islam, vice chairman, was also present.



Mohammed Asif, director of enterprise and partner group from Microsoft Bangladesh; Syed Mahmudul Hasan, marketing lead from Nokia Emerging Asia Ltd; and Hasibul Haque, head of product from Grameenphone, attend the launch of 'GP's Choice', an exclusive shelf in Microsoft Windows Phone Store for Grameenphone customers to download apps and games, at the GP headquarters in Dhaka recently.

Businessmen fear volatility in lead-up to polls: FBCCI chief

UNB, Dhaka

Foreseeing a tough time for the businessmen ahead of the next general election, FBCCI President Kazi Akram Uddin Ahmed yesterday urged all political parties to allow them to properly operate their businesses for the country's progress.

"The businessmen are concerned, but since the politicians want the country's progress, I hope all the political parties would allow us to run our businesses properly for the country's betterment," he said.

The FBCCI chief was talking to reporters after a meeting with Finance Minister AMA Muhith at his secretariat office. Monwara Hakim Ali, first vice president of FBCCI, was also present.

The FBCCI president also urged the finance minister to take steps to minimise differences of opinion among the political parties and thus facilitate businesses.

Asked whether the businessmen are worried ahead of the national election, Ahmed said this fiscal year is likely to pass through three governments. "Tough time is ahead for the businessmen because of the general elections."

Replying to a question, the president of the apex trade body said they are yet to receive any appointment from the opposition leader for discussing the country's present business atmosphere with her.

Microcredit: handle with care

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Towards the end of 2007, the supply by MFIs to their core targeted client segment of basic microcredit—loans to women from low-income households in rural areas—had come very close to saturation, the study found.

"Nearly every rural household who wanted a loan already had one or more than one. Nearly every household had been a member or borrower at some time in the recent past."

The report commended the country's MFIs for their foresight and timely actions that averted the possible crisis—as experienced in Nicaragua, Morocco and India.

Sensing the danger, the big four MFIs—Grameen Bank, BRAC, ASA and Buro—which constituted two-thirds of microfinance supply for the past decade, stopped adding branches and staff around 2008.

"Long experience made them more alert to potential problems, but a long-term commitment to microfinance also motivated them to act early before problems worsened," Chen added.

While performance from 2008 to 2010 did suffer, the sector was back on solid footing by 2011 and 2012 as a result of various actions each of the four MFIs undertook on their own, he said.

"This report correctly credits the microcredit industry in Bangladesh for slowing its growth in the face of market saturation and improving financial management," said Hassan Zaman, chief economist of Bangladesh Bank. "It shows the maturity of the key players, which keeps up the tradition of responding to new challenges which is why Bangladesh is a global leader in this sector," he said.

There is enough potential for micro-finance in Bangladesh and elsewhere, Zaid Bakht, research director of Bangladesh Institute of Development Studies, told The Daily Star.

Microfinance organisations need to upgrade their products rather than giving credit for traditional products, he said. "The government should provide market support for these products."

BASIC Bank's ratings slide five notches

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The bank gave loans to nonexistent companies and approved loans to clients immediately after they had opened accounts with the bank. Moreover, the bank's board sanctioned loans before the branch sent the loan proposal to the bank headquarters. In violation of banking rules, the bank showed interests as income against many loans that had not been paid.

All these anomalies were possible because of the bank's board and top management, which were found to have helped the companies embezzle the money.

According to CRAB, the deteriorating internal operating conditions of the bank created additional pressure on its asset quality. The rating agency found that the bank's non-performing loans (NPL) exceeded 109.2 percent of its Tier 1 capital (core capital or equity capital plus disclosed reserves) at the end of 2012. As per banking practices, NPL could be maximum 40 percent of Tier 1 capital.

BASIC also gave loans to its top 50 clients more than the sanctioned amounts making the bank vulnerable to risks, according to the rating agency.

The bank's government support rating (GSR) has also been lowered to A2, equivalent to Baseline Credit Assessment of BBB1,

from AA2 a year ago.

The GSR took into account the Bangladesh government's support to the bank, and the CRAB believes the government would find itself "increasingly constrained" if it sought to offer more support to the bank.

The rating agency thinks weak operating environment conditions, combined with political unrest and deterioration of economic conditions, may result in renewed problem with loan formation and create rising pressure on the bank's financial metrics that include asset quality, profitability, capital and provisioning.

"Upward pressure on ratings could develop if operating environment conditions improve substantially, leading to a strengthening of the bank's capital buffers, asset quality and earning generating capacity," the rating agency said.

Commercial banks, which are rated BBB, have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the banks to meet their financial commitments. BBB is considered medium grade and subject to moderate credit risk.

On the other hand, banks that are rated AA2 have a very strong capacity to meet their financial commitments.

ICB declares record dividends

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Even, the fourth ICB Mutual Fund was the worst performer of the day, as it plunged by 13.06 percent, followed by the third ICB Mutual Fund that dropped 11.32 percent in prices.

The fifth ICB Mutual Fund also slid by 6.46 percent, while the sixth dropped by 0.14 percent, seventh by 2 percent and eighth by 2.44 percent.

However, the first and second ICB mutual funds rose by 0.53 and 3.23 percent respectively on the trading board.

The ICB also announced Tk 36.50 dividend per unit on the unit fund for the year ended on June 2013.

"The portfolios of the mutual funds are very strong," said ICB Managing Director Md Fayekuzzaman. "We reshuffled the portfolios over the years, resulting in good earnings from the investment."

The new regulatory requirement on paying out 70 percent of income to the unit holders also helped ICB recommend higher dividends this year, he said.



Kyle Kelhofer, IFC country manager, and Syed Mahbubur Rahman, chief executive of Brac Bank, sign a cooperation agreement on a \$1.2 million project to develop risk management tools to facilitate quick processing of large volumes of loans and train Brac Bank employees for three years, recently.

IFC

Some labour rights ignored in new law: govt official

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Shipar spoke at a meeting of Tripartite Consultative Committee (TCC) on labour affairs.

Shipping Minister Shajahan Khan, who was present at the meeting, equally regretted the haste in passing the labour law.

He said the law was passed despite many issues left unresolved in the previous TCC meeting.

These remarks instantly drew flak from the labour

leaders present at the meeting held at the BIAM auditorium.

The TCC meeting was presided over by Labour Minister Rajiuddin Ahmed Raju.

"Workers are an integral part of the industries," said Wajed-ul Islam Khan, general secretary of Bangladesh Trade Union Council (BTUC).

"The workers were surprised to see the amendments made to the law," he said, adding that the recommendations of the labour representatives were not incorporated in it.