US firm to enter garment business in Bangladesh

Tau Investment to tie up with 24 apparel factories and pour $200m

REFAYET ULLAH MIRDHA

TAU Investment Management, a New York-based firm, will enter the lucrative garment business in Bangladesh with an investment of $200 million.

"We will start investing at the field level within the next three to six months as our primary work is at the final stage now," Oliver Niedermaier, chairman of the investment firm, told The Daily Star last week.

Tau will buy minority shares in some factories for five to six years, and expand the production units, if necessary, to produce garment items for the global market, he said over phone from Hong Kong.

"At least two dozens of factories have agreed with our proposal and we are at the final stage of negotiations," he said. Niedermaier, however, declined to disclose the names of the factories.

The plan to invest in Bangladesh was made two years ago and the firm has already started hiring human resources. A team from the company recently came to Dhaka to make a formal announcement of the investment plan.

Tau also enjoys an edge as Niedermaier said they have a sound relationship with international supply chains and retailers in London, Paris, New York and other destinations. "We will produce goods in Bangladesh and supply those to the retailers."

Niedermaier thinks Bangladesh will be a perfect place for making profit as the country's textile and garment sector is still competitive despite some industrial accidents.

Bangladesh, with a 5 percent share in the global apparel business worth $450 billion, is the second largest supplier after China.

"We will appoint foreign fashion designers and set up fashion houses so that we can produce trendy garment items for customers," Niedermaier said.

Through this investment, the image of Bangladesh's garment sector, which was dented by Tazreen Fashions fire and Rana Plaza building collapse, will be enhanced globally, he said.

Tau also plans to launch some training programmes in the factories that they will tie up with. "We will introduce two types of training programmes -- one for mid-level managements and the other for workers mainly to increase their productivity."

"We have a plan to launch a regional training academy in Bangladesh. Trainers from Bangladesh and other countries such as China will come here to train employees to increase their management skills and modernise the factories," he added.

If the initiative in the textile sector proves successful, Tau will introduce the same business model in Bangladesh's electrical and agricultural sectors, Niedermaier said.

Tau invests in factories and manufacturers around the world, then reconceives their value, replaces exploitative relationships with mutually beneficial ones, and thus turns ordinary companies into leading sustainable competitors, a statement of the company said.

Oliver Niedermaier

Agent banking, a step toward inclusive finance

PRASHANTA KUMAR BANERJEE

BANGLADESH Bank is working relentlessly to realise the vision of "inclusive finance" to make banking services available for un-served and under-served households and enterprises.

In this connection, Bangladesh Bank has recently taken one more initiative to launch agent banking and issued guidelines on agent banking.

The objective of these guidelines is to assist banks, interested to offer financial services through appointing agents, for formulating their own agent banking policy.

It is certainly a welcome step of BB to push commercial banks to offer basic products and services to all segments of the population at an affordable cost.

If we can bring the entire population under the banking system, this will transform the whole economy. In the preface of the guideline, it is stated that agent banking will provide the un-served population with limited scale banking and financial services through agents.

Brazil is often recognised as a global pioneer in this area and over the years, it has developed a mature network of agent banks covering more than 99 percent of the country's municipalities.

In Asia, countries like India, Pakistan and Philippines have also utilised the agent banking model to expand financial services.

This model allows banks of these countries to expand financial services into areas where they do not have sufficient incentive or capacity to establish a formal branch.

A number of factors like willingness of banks to introduce this service, selection of proper banks and agents for offering agent banking, nature of services to be offered by agents, proper monitoring system and prompt address of customers' complaints are of the essence to achieve this mission of BB.

Interest of banks to launch agent banking depends on whether it will generate more revenue for banks. It is recognised across the globe that agent banking systems are cheaper to operate than branch banking.

Agent banking minimises fixed costs by leveraging existing retail outlets and reducing the need for financial service providers to invest in their own infrastructure.

Clara Veniard in her paper, "How agent banking changes the economics of small accounts" presented in Global Savings Forum shows that setting up an agent costs 2 percent to 4 percent of the costs of a bank branch.

Most importantly, it will take financial services to the door of un-served population.

One can expect that this banking will gradually create banking habit among the un-served people and one day these people may become large and regular clients of several other services of banks.

By realising current and possible benefits of this new type of banking, it is therefore expected that commercial banks will come forward to make this initiative of Bangladesh Bank a success.

Selection of banks by Bangladesh Bank and agents by commercial banks is required to be done very carefully.

Initially, Bangladesh Bank may permit some commercial banks to offer agent banking on the basis of a set of criteria like capital, NPL, network, IT infrastructure of banks.

In the same way, commercial banks may also select and appoint agents in different parts of the country in the light of the guidelines given by Bangladesh Bank.

Selecting geographical area for launching agent banking is also a crucial task. Agent banking should be launched in the area where banking and financial services are yet to be reached.

In this case, the digital map on financial services recently launched by BB may be helpful for Bangladesh Bank and commercial banks.

Permission for offering a number and types of services with a good amount of discount is a motivating factor for agents for taking agency from commercial banks. BB has already given an outline on permissible services for an agent.

Here, it is expected that agents should not just be used by customers to access their bank accounts and transfer money. They should be allowed to offer a range of services necessary for people living in the rural areas.

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AFP

Siemens CEO Joe Kaeser presents the second quarter numbers at the company's press and analyst conference in Berlin recently. The German engineering giant says it is starting a share buyback programme costing up to 4 billion euros. Until October 31, 2015, Siemens will repurchase up to 47.8 million shares.

Nissan full-year profit jumps 14pc to $3.8b

AFP, *Tokyo*

NISSAN said Monday its full-year net profit jumped 14.0 percent, driven by a recovery in major markets, cost-cutting efforts and the weaker yen, and forecast further marginal improvement this year.

Japan's second-biggest automaker said it earned 389.0 billion yen ($3.8 billion) for the fiscal year to March, after sales rose 20 percent on the previous year to 10.48 trillion yen.

The profit and sales gains were mainly due to "a reverse of the yen's appreciation against the dollar, reductions of purchasing costs and growing sales," Nissan said in a statement.

Nissan, maker of the Altima sedan and luxury Infiniti brand, said sales in Japan rose 11.1 percent in units for the fiscal year, while those in China jumped 17.2 percent.

Nissan's sales in North America gained 12.4 percent with a 2.4 percent increase in Europe, but its sales in other regions declined 8.5 percent.

The figures come after rival Toyota last week posted a record annual net profit of 1.82 trillion yen over the fiscal year to March, nearly doubling from a year earlier.

Japanese car companies have been big winners over the past year as a sharp drop in the yen inflated their repatriated profits, while sales accelerated in key markets including the US and China.

Japanese automakers' sales in China fell off a cliff in late 2012 and into last year as a Tokyo-Beijing row over disputed islands sparked a consumer boycott of Japanese brands in the world's biggest vehicle market.

Relations remain tense, but Japanese manufacturers have reported sales are returning to pre-spat levels.

"Although our performance was impacted by the island dispute in the first half, demand has since significantly improved," the company's chief executive Carlos Ghosn told a news conference.

For the current fiscal year, Nissan forecast slight gains in both profit and sales, projecting a 405 billion yen net profit and sales of 10.79 trillion yen in the year to March 2015.

"This is a satisfactory outcome reflecting solid growth in several key markets, but these results ... do not yet reflect Nissan's actual potential," Ghosn said.

Nissan's 14 percent net profit gain compares with Toyota's 90 percent surge and a 56 percent jump posted by their rival Honda Motor for the fiscal year.

"Nissan has been somewhat left behind due to several negative factors, including smaller than expected sales in emerging economies and the growing cost of consumer incentives in the US market," said Shigeru Matsumura, analyst with SMBC Friend Securities.

Emirates not looking for stake in Qantas: chairman

AFP, *Sydney*

Emirates is not planning to buy a stake in Australian airline Qantas, a report said Monday, despite the government moving to loosen foreign ownership restrictions on the struggling carrier.

Canberra wants to alter ownership rules to allow greater foreign investment in the national airline, to help Qantas raise much-needed capital and put it on a more even footing with domestic competitors.

But Emirates chairman Sheikh Ahmed bin Saeed al-Maktoum said his company, the Middle East's largest airline whose profits surged 43 percent in 2013, had no plans to buy a stake.

"As we stated when the partnership began, neither airline is looking to take an equity stake in the other," Sheikh Ahmed told the Australian Financial Review.

In December, Emirates president Tim Clark also ruled out throwing a financial lifeline to the embattled Australian flag carrier, which became an alliance partner a year ago, a move seen as vital to the sustainability of Qantas.

The partnership allows both carriers to combine operations for an initial period of five years, including coordinating ticket prices and schedules, and has opened up Qantas's lucrative Australian domestic network of more than 50 destinations to Emirates customers.

REUTERS

A customer shops at a Wal-Mart store in Beijing, China. The leaders of China aim for 60 percent of the country's population of almost 1.4 billion to be living in cities by 2020.

China's young migrants like cities, spend more

REUTERS, *Beijing*

CHINA'S young rural migrant workers are more eager to work in cities, and are spending more and saving less, an official survey showed on Monday, a trend that could boost Beijing's efforts to urbanise and re-balance the economy in the long term.

To help turn consumers into the main driver of the economy, China's leaders aim for 60 percent of the country's population of almost 1.4 billion to be living in cities by 2020.

Beijing has pledged to gradually free up the rigid residence registration, or hukou, system to allow millions of migrants to settle in cities and enjoy basic welfare services there to help unleash their spending power.

About 55 percent of young migrant workers born since 1980 worked in bigger cities - those at the prefecture-level or above - far higher than the 26 percent tally for older workers, the latest survey by the National Bureau of Statistics shows.

Young migrants also spent 19.3 percent more than their predecessors.

The survey showed that the proportion of young people working outside their home towns was 80.3 percent, higher than 61.8 percent for older migrants.

The number of rural migrant workers, including those who already lived in cities, rose 2.4 percent in 2013 from the previous year to 269 million, the survey showed. But that pace slowed from 3.9 percent in 2012.

A seemingly endless stream of rural workers moving to cities in search of better jobs and lives has underpinned China's economic rise in the past three decades.

But the pool of cheap labour is steadily drying up as the population ages, pushing up wages.

That is squeezing profit margins for Chinese and multinational firms, but bodes well for Beijing's plan to transform the economy from one driven by exports and investment to one that is driven more by consumption.

The number of migrants working in their home provinces rose an annual 3.6 percent in 2013, outpacing the rise of 1.7 percent in the number of people working outside their home provinces.

That reinforced signs that China's export-oriented coastal provinces face growing competition from their inland counterparts as more migrants seek and find jobs closer to home.

The monthly pay for China's migrants working outside their home provinces rose 13.9 percent in 2013, quickening from the 11.8 percent rise in 2012 and indicating a relatively tight labour market despite slower economic growth.