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BUSINESS

DHAKA FRIDAY SEPTEMBER 19, 2014, e-mail:business@thedailystar.net

Private credit rises on falling rates

The credit growth is still far below BB target

SAJJADUR RAHMAN

Declining interest rates boosted private-sector credit growth in the past several months, but the growth still remains far below the central bank's target.

Private sector credit accelerated 12.3 percent in June this year, up from 11.4 percent in the previous month and 10.8 percent in June a year ago, according to Bangladesh Bank data.

Though the June credit growth was the fastest in fiscal 2013-14, it is well below the BB-set target of 16.5 percent.

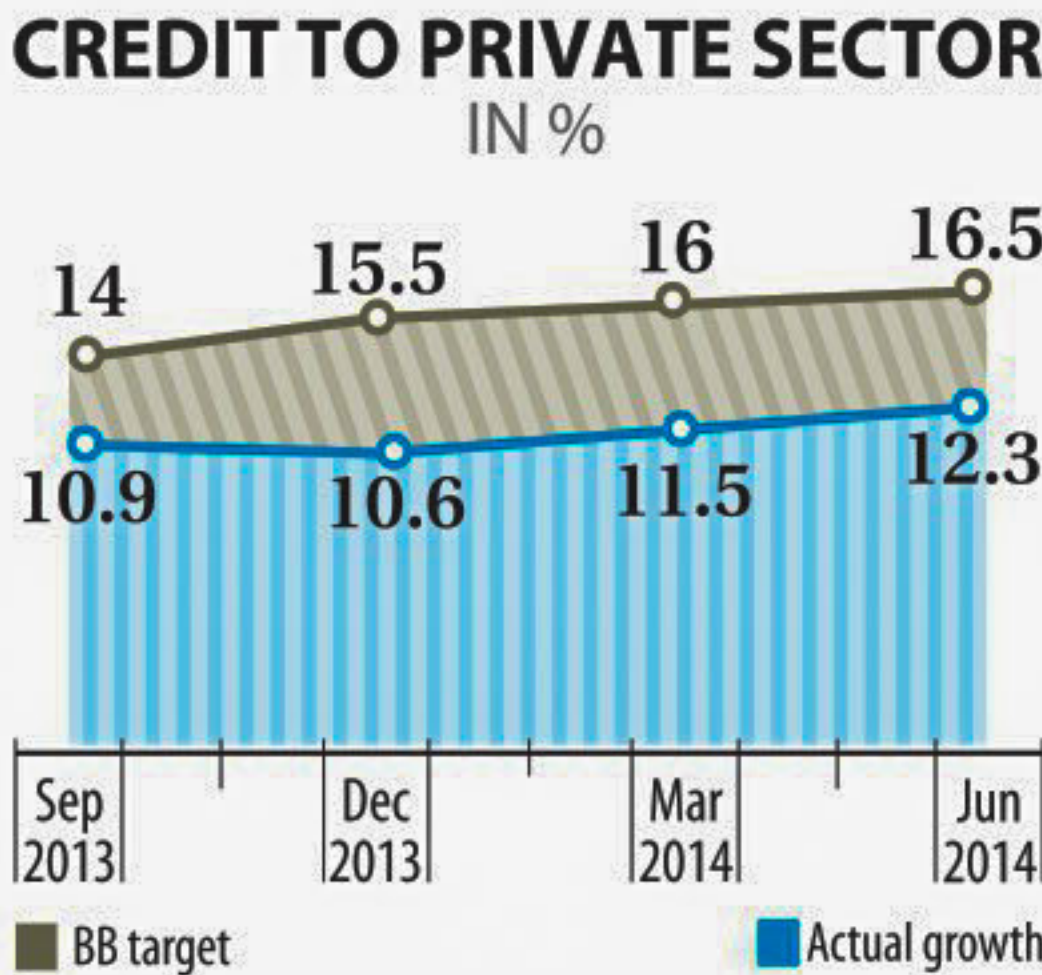
"We offer loans at a 12 percent interest rate for good borrowers. The rates go down further for the borrowers with good track records and healthy turnover," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

Chowdhury said a fall in lending rates has led to the credit growth in recent months and the demand for money is increasing gradually. Pubali offered loans at 15-16 percent interest last year, he said.

He expects a further rise in the private credit demand at the end of the September quarter.

Many bankers said manufacturing and productive activities are yet to pick up to the level of 2011-12, but trade and commerce and services sectors and an overcrowded domestic market have kept the economy going.

The year-on-year export growth for fiscal 2013-14 was 11.56 percent, which they said was better than expectations. Overall exports, including shipments of garments, also increased, indicating that the economy is showing some signs of recovery.



The central bank approved foreign loans worth around \$2.6 billion in fiscal 2013-14, while the amount was \$2.4 billion in fiscal 2012-13 and \$1.8 billion in fiscal 2011-12.

On the negative impacts of foreign loans on the local lenders, a BB official said foreign loans, which are low-cost (around 6 percent interest rate) in nature, plays a role in increasing competitiveness of local products in the global markets.

However, Monzur Hossain, senior research fellow of Bangladesh Institute of Development Studies, is not of the view that the private sector's demand for credit is picking up steadily.

He blamed the central bank's contractionary monetary policy for a sluggish investment situation in the country.

"Maybe, the demand for money has grown slightly in recent months due to relaxation of rules for consumer loans," Hossain said.

Private sector credit growth was 10.7 percent in February that rose to 11.5 percent in March, 11.9 percent in April, and 11.4 percent in May, according to BB data.

"The demand for money is going up slowly due to a stable political situation in the country in the last six months," said Shafiqul Alam, managing director of Jamuna Bank. He said competition among banks also caused the lending rates to fall.

Alam, however, said a rise in nonperforming loans has made banks more cautious in lending. Some bankers said a surge in low-cost loans from foreign sources has affected the local lenders.

ACI moves into construction equipment business

GAZI TOWHID AHMED

ACI Motors, a unit of business conglomerate Advanced Chemical Industries, has expanded its business by introducing new construction equipment.

It will market and distribute construction equipment of Case Construction Equipment India in Bangladesh, Subrata Ranjan Das, business director of ACI Motors, told The Daily Star.

ACI will market construction equipment such as loader backhoes, vibratory compactors, wheel loaders, graders and skid steer loaders -- priced between Tk 35 lakh and Tk 40 lakh, Das added.

Case makes equipment in India to cover the emerging markets of Asia Pacific, with a sharp focus on the needs of the next generation of customers, he said.

US-based Case Construction is the world's leading manufacturer and marketer of construction and road building equipment in more than 150 countries, he added.

ACI will import wheel loaders manufactured in Case's Italian unit, graders manufactured in Brazil and skid steer loaders made in the US.

Case equipment is fuel-efficient and user-friendly, he said. Most Bangladeshi companies use second-hand equipment that is expensive, Das said.

"We want to give the best products



to our customers as demand for new equipment is on the rise. The market is growing."

The annual market of construction equipment in Bangladesh is worth around Tk 150 crore. "We will also give credit facilities to our customers on our equipment," he said.

"We have eight showrooms and 11 service centres across Bangladesh, he said. "Our focus is to provide quick after-sales service to our customers."

ACI's mission is to achieve business excellence through quality by understanding, accepting, meeting and exceeding customer expectations,

he said.

ACI follows international standards on quality management systems to ensure a consistent quality of products and services to achieve customer satisfaction, he said.

ACI holds an 8 percent market share of agricultural machinery, and has introduced technology-based equipment, reapers, combine harvesters, and transplanters for the first time in Bangladesh, Das said.

ACI is now marketing the Sonalika tractor, which holds the third top position in India and is the fastest growing brand, he said.

Bangladesh 26th best destination for IT outsourcing

STAR BUSINESS REPORT

Bangladesh has been recognised by a US company as the 26th best destination for IT outsourcing globally.

AT Kearney, a leading management consultancy firm with offices in more than 40 countries, has for the first time included Bangladesh in its Top 50 Global Services Location Index.

The index assessed 51 countries based on metrics under three categories -- financial attractiveness, people skills and availability, and business

environment.

India remains the top offshoring destination for IT companies, followed by China and Malaysia.

"This will significantly boost ICT investment and outsourcing to Bangladesh as global companies and investors follow this report and ranking for decision making," said Shameem Ahsan, president of Bangladesh Association of Software & Information Services (BASIS).

But in terms of cost competitiveness in outsourcing services,

Bangladesh ranks first, he said at a press conference at BASIS office in Dhaka yesterday.

Asia continues to dominate the global market, with six countries from the continent being among the top 10 offshore destinations in the index.

However, there are some challenges for the region. Global IT firms started outsourcing back-office operations in mid-2000s, but multinationals are reassessing their outsourcing strategies now.

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Rice export to Sri Lanka gets a go-ahead

STAR BUSINESS REPORT

The cabinet committee on economic affairs has approved a proposal of the food ministry to export 50,000 tonnes of coarse rice to Sri Lanka under special arrangements, as there is a ban on non-fragrant rice export until June 2015.

The approval came at a meeting of the committee yesterday, with Finance Minister AMA Muhith in the chair.

Muhith told reporters after the meeting that the government has decided to export the rice on a test basis.

The minister also said the export will not create any crisis of rice in the country as there is a stock of 11 lakh tonnes now.

On the export price of the rice, he said it will be decided considering the international market prices and through discussion between the two countries.

However, the food ministry has estimated the export price at \$493 a tonne, including insurance and freight charges.

Rice was selling at \$430-\$455 a tonne on August 16 in the international markets, including India, Pakistan, Thailand and Vietnam, according to a report of the food ministry.

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IMF irked by slow VAT reforms

STAR BUSINESS REPORT

An International Monetary Fund team yesterday expressed dissatisfaction over sluggish progress in VAT reforms.

The IMF officials assigned to see progress in reforms in various areas against IMF's conditions under a three-year extended credit facility (ECF) met the National Board of Revenue.

The NBR said it would need another year to implement the VAT and Supplementary Duty Act 2012 due to re-tendering to procure software to build an integrated VAT administration system.

But the IMF team, reminding the tax authority of the government's commitment to make the law effective from July 1, 2015, hinted that the delay might affect timely execution of the ECF

programmes, said a participant of the meeting.

The VAT law implementation was one of IMF's major conditions against release of the fund under the ECF scheme of \$1 billion. The IMF has released about \$704.3 million in five instalments.

The IMF also wanted to know why the software procurement tender was cancelled.

Another official who also attended the meeting said NBR cancelled the tender in July, based on instructions from the cabinet committee on purchase.

NBR also informed the team that implementation of the VAT law, which will replace the existing law, is likely to be delayed further as some provisions need to be reviewed as demanded by business leaders.

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State banks get poor scores in first-half review

REJAUL KARIM BYRON

Four state-owned commercial banks had mixed success in meeting many of the performance targets given by Bangladesh Bank, which brought out calls for prompt improvement in the institutions.

The disclosure came after the central bank yesterday reviewed the half-yearly performance of Sonali, Janata, Agrani and Rupali. The review was conducted by BB Governor Atiur Rahman and other high officials in the presence of the chief executive officers of the four banks.

Between January and June, the four banks reached about 34 percent of the year's recovery target of Tk 623 crore from

the top 20 defaulters. At the individual level, Sonali managed 23 percent, Janata 17 percent, Rupali 36 percent and Agrani 69 percent.

In terms of cash recovery, they managed only 30 percent of 2014's target of Tk 3,428 crore in the first-half. Sonali Bank achieved 20 percent of its target, Janata 62 percent, Agrani 21 percent and Rupali 62 percent.

Subsequently, the central bank stressed speeding up recovery.

The banks were also given a target this year of lowering defaults by 20 percent from the figure recorded on December 31, 2013.

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