

DHAKA WEDNESDAY JULY 29, 2015

BB bars traditional banks from Islamic banking

SAJJADUR RAHMAN

The central bank's decision not to allow conventional banks to convert into Islamic banks has frustrated half a dozen lenders.

Even conventional banks, which were earlier permitted to open branches or windows for Islamic banking, are not allowed to do it anymore.

Bangladesh Bank will not entertain their demand, SK Sur Chowdhury, deputy governor of Bangladesh Bank, said yesterday.

The banks that are now awaiting the licence to become Islamic Shariah-based banks should have taken their original permits as Islamic banks instead of conventional ones, he said.

Six conventional banks -- IFIC, Jamuna, NCC, Standard, Southeast and the newly-established South Bangla Agriculture -- have applied to the central bank to become full-fledged Islamic banks, according to BB officials.

Some of the applications have been pending for more than two years now.

At present, there are 54 scheduled banks in the country, of which eight are full-fledged Islamic banks.

In addition, eight conventional banks have 19 Islamic banking branches and some others have Shariah-banking windows.

Officials of conventional banks said there are a number of reasons behind the rush for conversion into Islamic banking.

First, Islamic banks get easy deposits that are the major source of funds for banks in Bangladesh.

Interest is banned in Islam and many depositors keep their money with the Islamic banks without interests.

The Islamic banks also have to keep a less statutory liquidity ratio: only 11.5 percent against 19 percent for conventional banks.

As a result, Islamic banks have more investible funds than other types of banks.

Also, an Islamic bank can invest Tk 90 against every Tk 100 deposit. In case of conventional banks, it is Tk 82 per Tk 100.

Islamic banks' growing profitability is also encouraging conventional banks to adopt the Shariah model, bankers said.

In 2014, the net profit of Islamic banks rose 10.4 percent year-on-year.

In contrast, the net profit of the overall banking sector declined 17.3 percent during the year, mainly because of huge provisioning requirements for soured loans.

The return on asset and the return on equity, the two major indicators for measuring profitability, are also higher in Islamic banks than the conventional ones.

READ MORE ON B3

Broadband users may get faster internet

MUHAMMAD ZAHIDUL ISLAM

The government has decided to redefine 'broadband' services for the fourth time and fix the minimum broadband speed at 2Mbps. Both decisions will be effective shortly.

The changes came yesterday at a meeting chaired by Saeed Wazed Joy, the ICT adviser to the prime minister.

Joy directed the telecom regulator to be more active in ensuring better services for users by upgrading the internet speed and amending its definition. He directed the regulator to induct the new definition into the telecom policy, meeting attendees said.

The plan is to improve broadband speed to 5Mbps, which is necessary to successfully build a Digital Bangladesh, a senior official of the telecom division said on condition of anonymity.

Bangladesh Telecommunication Regulatory Commission or BTTC fixed the minimum speed for broadband at 128Kbps in 2008.

READ MORE ON B3

Economic indicators to rise amid political calm: MCCI

STAR BUSINESS REPORT

MCCI PROJECTION

In millions of \$



level of the investors, causing a slower growth in investment in the private sector, the MCCI said.

Maintaining macroeconomic stability, restoring momentum in economic activities, enhancing revenue collection, raising investment, achieving the export target, containing inflation, and above all, improving law and order conditions will be the major challenges for the government.

Entrepreneurs, whether local or foreign, are not encouraged to make any new investment in the present political environment, it said.

The chamber said foreign investors have adopted a 'go-slow' strategy in making fresh investments since 2013. Although public investment has increased, it cannot be an alternative to private investment, which is crucial to accelerating economic growth.

The damages inflicted by political unrest last year to the national economy also dented the confidence

and foreign exchange reserves rose and remained at a comfortable level."

However, the chamber said the foreign exchange reserves may fall in July-September due to the payments to the Asian Clearing Union against imports.

Inflation may go up in September because of increased demand ahead of Eid-ul-Azha.

The trade body said the agriculture sector performed well in the quarter under review, but continuous government support with inputs and finance will be needed to sustain the sector's growth.

Performance of the manufacturing sector needs to be improved by removing bottlenecks in physical infrastructure and the crisis in power and energy supplies.

The services sector is doing well but will need government support to be able to recover the losses they suffered during the political unrest.

However, the chamber said, in order to achieve the government's growth and inflation targets, political stability is a must.

"Violence caused by political unrest hurts economic activities thus hindering growth and disrupts the supply chain of goods which pushes up inflation."

On the fact that the World Bank has recognised Bangladesh as a lower middle income country, the chamber said the Organisation for Economic Co-operation and Development (OECD) has also upgraded the overall country rating by one notch for its economic resilience.

READ MORE ON B3

THE BEST CEMENT.
MADE FROM SPECIAL IRON SLAG. **BASHUNDHARA**
CEMENT
BONDING GENERATIONS

09612123456 / 16339

unilink/BDC/2015/01



Employees of Swan Garments gather outside the National Press Club in Dhaka yesterday during a demonstration for immediate payment of their wages accumulated since the factory closed in April.

Islami Bank urged to lend further to Swan Garments

Govt's inspection department seeks help to clear workers' dues

REFAYET ULLAH MIRDHA

The Department of Inspection for Factories and Establishments (DIFE) yesterday requested Islami Bank Bangladesh, the financier of Swan Garments, to further lend Tk 1.39 crore to the apparel maker so that it can clear one month's salaries of its workers.

Both the DIFE and the bank had been in trouble finding a successor of the company after the death of its Chinese owner, Ming Yuen Hon (Toby), in April.

The confusion over the legal ownership of the company was cleared up after Toby's wife Patricia Hon presented her marriage certificate to the DIFE yesterday.

"We found Patricia as the successor of the company," said Syed Ahmed, inspector general of the DIFE. Patricia has 0.31 percent share in the company.

The labour ministry earlier formed a commit-

tee headed by the DIFE chief to settle the payment issues of the workers.

In a letter, the inspection department requested the bank to give Tk 1.39 crore to Patricia either as a loan or under the bank's corporate social responsibility so that the company can pay the salaries of 1,300 workers at least for one month, Ahmed added.

Mohammad Abdul Mannan, managing director of Islami Bank, said, "We will have to verify the documents before we give further loans or payments from our CSR fund to Swan Garments."

The bank cannot give any further loans in absence of a legal owner of the company, he added. "We are worried about how we can recover the Tk 41 crore loans already given to the company."

Toby had 99.5 percent share in Swan Garments; the remaining 0.5 percent is in the name of another woman, but not in the name of Patricia, who had claimed to be his widow.

Mannan declined to name the 0.5 percent shareholder.

Disputes over the ownership have to be settled to resume operations of Swan Garments, and if Islami Bank wants to continue financing, it will need permission from the central bank as the company's loans have already been classified, Mannan added.

Patricia said: "I do not really know how much money is needed to make full payments to the workers and restart the units."

"But, of course, I will reopen the factories soon. Now there is no confusion regarding the successor of the company as I have shown the legal documents," she told The Daily Star by phone.

Concerned that the fate of the workers will be similar to that of the workers of Tuba Group, who last year went on a hunger strike to demand wages and other arrears, workers of Swan Garment have been in a sit-in protest outside National Press Club since July 12.

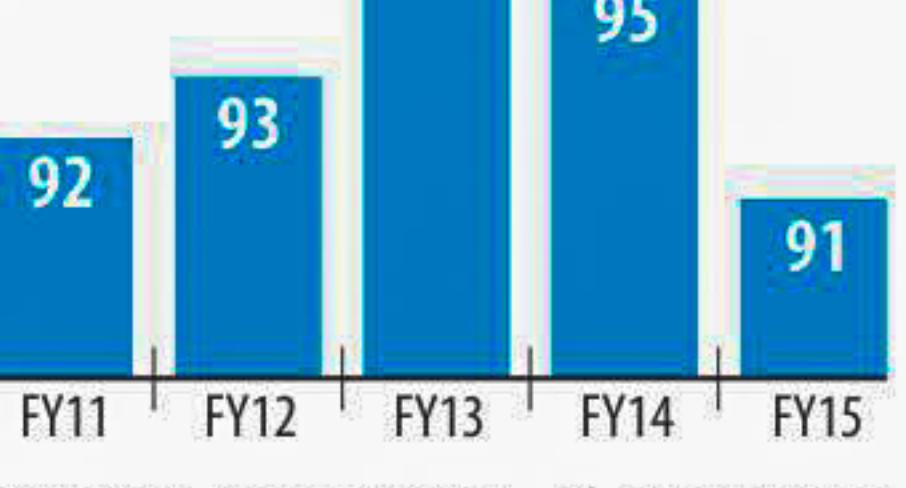
ADP target missed again

Development budget implementation was 91.37pc last fiscal year; planning minister hoped target would be fully achieved

STAR BUSINESS REPORT

ADP IMPLEMENTATION

In %



disrupted transportation of construction materials such as rods and cements.

Giving an example, an IMED official said the entire work of the Dhaka-Chittagong four-lane highway depends on smooth transportation of construction materials.

But the contractors were unable to carry the materials to the project sites due to political violence, he added.

However, of the 10 large ministries, the performance of seven ministries or divisions, who got 71 percent of the total ADP outlay, was above average, according to IMED statistics.

They are: local government division (96 percent), power division (101 percent), road transport and highways division (100 percent), primary and mass education (97 percent), education (98 percent), railways (99 percent), and science and technology ministry (100 percent).

The other three large ministries and divisions -- energy and mineral resources division (87 percent), bridges division (87 percent), and health and welfare (85 percent) -- performed lower than the average.

Another reason for the below-par implementation figure is that there are many ministries whose projects took off way back but could not be progressed much due to various complications, including acquisition of lands, Kamal said.

RENTAL

- Generator
- Construction Machineries
- Material Handling Equipment



Energypac

www.energypac.com

+8801755520393

Honeywell

Evaporative Air Cooler



Smart Design

High Air Throw

Low Power Consumption

Environment Friendly

Electro Mart Limited

www.electromart.com.bd

01755661188