

STAR BUSINESS

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Low-cost loans for dairy farmers

STAR BUSINESS REPORT

Banks yesterday launched low-cost loans for dairy farmers, aiming to boost local dairy production and help cut the country's dependence on imported milk.

Prime Minister Sheikh Hasina inaugurated the initiative by handing over cheques from 13 banks and financial institutions to 13 farmers during an event at the Krishibid Institution in Dhaka.

Banks will lend to dairy farmers at an interest rate of 5 percent by borrowing from Bangladesh Bank's Tk 200 crore refinancing fund. The central bank formed the fund in June last year, to encourage dairy farming and cut malnutrition and milk powder import bills.

"The government has already ensured food security for all by boosting food production, and the aim now is to ensure proper nutrition by eliminating malnutrition and we have been working on that," said Hasina, as quoted by BSS, at the event organised by the fisheries and livestock ministry.

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Rate cuts on the way after three years

Bangladesh Bank rolls out monetary policy statement today

REJAUL KARIM BYRON

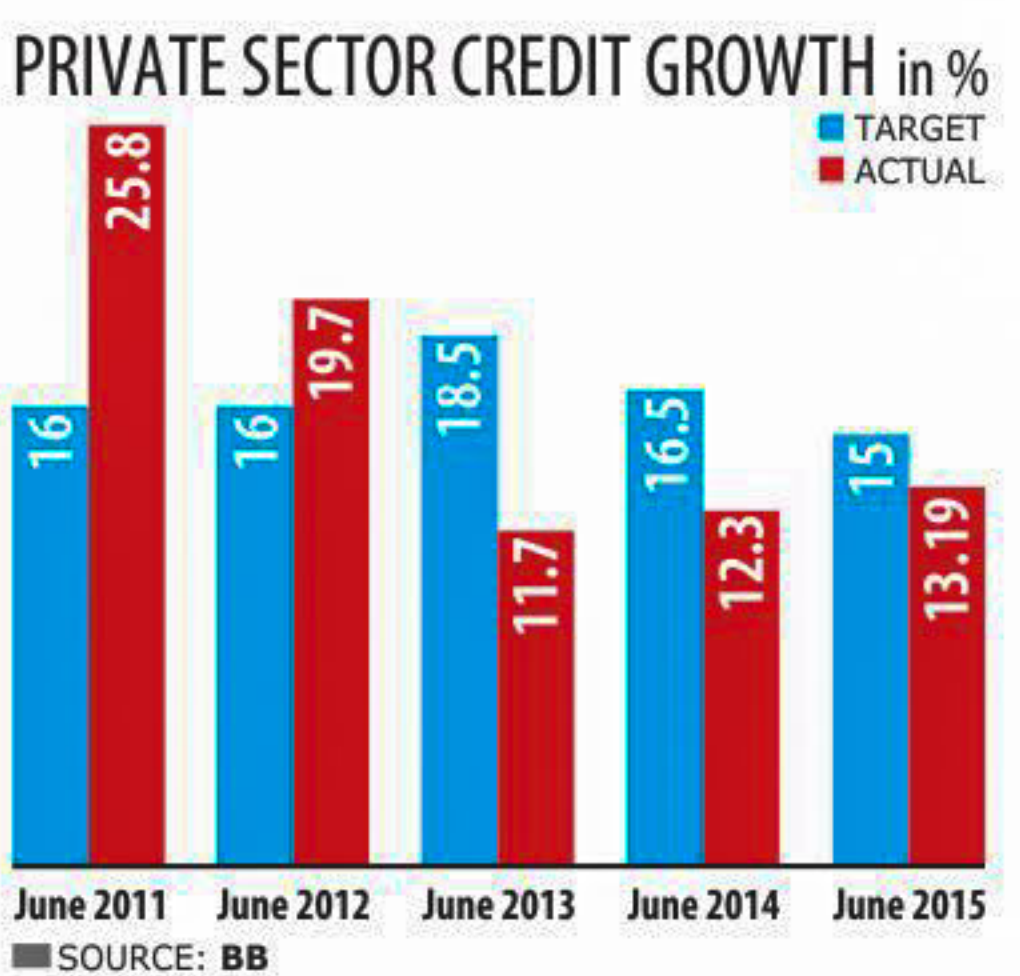
The central bank is set to cut its policy rates for the first time in three years in an effort to spur investment in the economy.

The repo and reverse repo rates are likely to be slashed by 50 basis points in the monetary policy statement for the second half of the fiscal year, due to be announced today.

The repo and reverse repo rates have remained unchanged at 7.25 percent and 5.25 percent since February 2013.

The repo rate is the rate at which the central bank lends to commercial banks. A cut in the repo rate helps the commercial banks get money at a cheaper rate in the event of a fund shortfall.

When inflation rises, the central bank tends to increase the repo rate as it acts as a disincentive for banks to borrow from the central bank. This ultimately reduces the money supply in the economy and eases inflation. The central bank takes the contrary position in the event of



The upcoming monetary policy is highly expected to be expansionary as the BB succeeded in containing inflation.

The monetary policy statement for the July-December period set the average inflation target at 6.2 percent for fiscal 2015-16. As of December, the average rate was 6.21 percent.

The private sector credit growth target is likely to be brought down in today's statement to a feasible level, said a Bangladesh Bank official.

The target set for the first half was 15 percent and as of November, private sector credit growth stood at 13.72 percent.

"If the target for the second half can be achieved, it might be enough to hit 7 percent economic growth this fiscal year," the official added.

MA Mannan, state minister for finance and planning, called for a slightly expansionary MPS this time to meet the 7 percent GDP growth target.

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Banks borrow from BB after a four-year gap

SAJJADUR RAHMAN

After a gap of more than four years, some commercial banks have recently borrowed money from the central bank through repo auction.

Repo auction is an event in which the central bank of a country lends out money to commercial banks.

This borrowing contrasts with the claim that commercial banks are sitting on huge excess funds.

Four banks -- AB, Farmers, IFIC

and Meghna -- took part in the repo auction on Tuesday to borrow nearly Tk 172 crore from Bangladesh Bank to meet their fund shortfall.

However, the BB accepted four bids amounting to Tk 152 crore at 7.25 percent interest rate.

AB, Farmers and Meghna also took Tk 35 crore from the BB as liquidity support on Monday.

The last time BB received repo bids from banks and financial institutions was in December 2011.

"We have experienced shortfall of funds in the market last week," said Nurul Amin, managing director of Meghna Bank.

Amin said Meghna had to borrow from the central bank as it could not withdraw investments in bonds overnight.

On Monday, two banks -- AB and Brac -- borrowed Tk 270 crore through special repo, which was last held in July 2014.

Banks have to pay a 10.25 percent interest rate for availing

money via special repo.

Shamim A Chaudhury, managing director of AB Bank, said they have investments in bonds and bills as a primary dealer bank. There may also be sudden withdrawal pressure, he said.

"So, cash may not be available sometimes," Chaudhury said.

The banking industry has Tk 5,000 crore to Tk 7,000 crore in excess funds that can be invested anytime, according to a BB official.

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Yarn, machinery suppliers see robust growth in Bangladesh

Garment technology fair starts in Dhaka

REFAYET ULLAH MIRDHA

Indian yarn maker Damodar Industries Ltd aims to export 2,000 tonnes of yarn to Bangladesh a year in three years from its annual shipment of 500 tonnes now.

"Increasing the shipment to 2,000 tonnes from 500 tonnes in three years is no difficult job. Demand for yarn in Bangladesh is on the rise, riding on the back of higher garment exports," said SC Tandon, a senior official of Damodar Industries.

Twelve major garment exporters in Bangladesh have been purchasing raw materials from his company for many years now, Tandon told The Daily Star at Garmentech, an exhibition of machinery, garment accessories and yarn and fabrics that opened at International Convention City Bashundhara in Dhaka yesterday.

Bangladesh is a good export destination for his company, as top global brands and retailers are customers of Bangladeshii apparel, he said.

China is no longer a lucrative destination for apparel and accessory makers due to higher costs of production and a shortage of skilled workers, according to Tandon.

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Visitors take a look at a sewing machine on display at Garmentech, a garment machinery fair that began at International Convention City Bashundhara in Dhaka yesterday.

25 tanners face legal notice as they fail to relocate factories

MD FAZLUR RAHMAN

The government has served legal notices on 25 tanners for their failure to start their relocation process to Savar from Hazaribagh, officials said.

Abdul Quayum, project director of the tannery estate in Savar, said he had provided a list of the tanneries to lawyers on January 10 for sending legal notices.

Most of the tanneries have already been given the legal notices, and by Thursday, the others will get theirs too, he told The Daily Star yesterday.

The move comes after Industries Minister Amir Hossain Amu on January 10 instructed state-run Bangladesh Small and Cottage Industries Corporation (BSCIC) to serve the legal notices on the tanneries.

He also sounded out a stern warning against tanneries, saying the polluting factories will be shut down if they fail to relocate to the designated industrial park in Savar within 72 hours. The deadline ended yesterday.

The tannery estate project of the BSCIC had initially prepared a list of 28 tanneries that have done very little in setting up the new industrial units in Savar.

Later, three of the tanneries were taken off the list after they started developing their site, Quayum said.

The issue of relocating more than 150 tanneries has been dragging on for years.

The factories release thousands of litres of untreated and toxic liquid waste into the Buriganga river, which poses a serious risk to human and animal health and diminishes the prospects of leather exports.

The sector is the second highest contributor to national exports after apparel. For instance, in fiscal 2014-15, Bangladesh exported leather and leather goods worth \$1.13 billion.

In light of the export prospects and the environmental hazard, the government in 2003 decided to take up a project to relocate the factories to Savar at a cost of Tk 175.75 crore. The cost has now ballooned to Tk 1,079 crore.

Some 155 tanneries were allocated plots on the 200-acre leather estate through the BSCIC.

And in 2010, the government even gave Tk 250 crore in compensation to the tanners to help them move to Savar.

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GPH Ispat to invest Tk 1,700cr for expansion

STAR BUSINESS REPORT

GPH Ispat is set to invest about Tk 1,700 crore to expand its production capacity by using ultra-modern long-steel technology.

In line with the expansion, the Chittagong-based steel manufacturer's yearly production of MS billet will increase by 840,000 million tonnes.

Its existing annual capacity stands at 168,000 million tonnes.

The yearly production of MS rod and medium section products such as steel beam, angle, channel and flat bar will also be increased by 640,000 million tonnes, in addition to the existing annual capacity of 760,000 million tonnes.

The expansion will be implemented in two phases, and the cost will be arranged from owners' equity and loans.

The company will also sign an agreement with Primetals Technologies Austria, a joint venture of Siemens and Mitsubishi Heavy Industries & Partners, which will supply machinery for the large-scale expansion of GPH Ispat, according to web postings of the Dhaka Stock Exchange.

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BB appoints observer to Farmers Bank

STAR BUSINESS REPORT

Bangladesh Bank yesterday appointed an observer to Farmers Bank after the banking regulator found that the health of the newly established bank is deteriorating fast.

ANM Abul Kashem, general manager of the foreign exchange investment department of the BB, has been made observer in the board of the bank, according to an office order of the central bank issued yesterday.

"We want to help the bank develop loan discipline and improve risk management and internal control," Subhankar Saha, executive director and spokesman of the central bank, told The Daily Star.

"Our experience shows that appointment of an observer helps problematic banks improve their condition."

Earlier, the BB detected gross

violation of banking rules in sanctioning and disbursing loans, and incidents of hiding default loans amounting to around Tk 400 crore in Farmers Bank, which started its journey on June 3, 2013.

Three BB investigation teams detected the irregularities in the bank's Gulshan, Motijheel and Shyampur branches between September and November of 2015.

The bank disbursed fresh loans to defaulted clients by managing fake reports of the Credit Information Bureau of the central bank.

The bank also took loans from other banks breaching rules, according to the inspection report.

BB probe found that the bank's Executive Committee Chairman Mahabubul Haque Chisty, Managing Director Choudhury Moshtaq Ahmed, Additional Managing Director AKM Shameem and six other officials were responsi-

ble for the anomalies.

In October last year, the central bank issued letters to Muhiuddin Khan Alamgir, chairman of the bank and also an Awami League leader, and the managing director, asking them to take actions against the officials involved in the irregularities.

But the bank did not take any actions.

Earlier in November, the BB appointed observers to four state-owned banks -- Sonali, Janata, Rupali and Agrani -- after their key financial indicators such as capital adequacy and classified loans took a turn for the worse.

In addition to these banks, state-run BASIC, partially state-owned Bangladesh Commerce Bank and privately-owned ICB Islamic Bank, Islami Bank, Mercantile Bank and National Bank have BB-appointed observers in their respective boards.

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