Star BUSINESS

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Loans historically cheap, but not many takers

SAJJADUR RAHMAN

Loans in many categories have now come down to a historical low of single digits, playing into businesses' hands -- and yet the demand for credit and investment is not picking up.

Be it term loan, corporate loan, home loan or working capital, all can be availed by a good client within single digit interest rate.

"Interest rate goes down to as low as 8 percent for good corporate customers whose loan payment record is regular," said Shafiqul Alam, managing director of Jamuna Bank.

Fervent competition among banks is reducing the rates further, said Mashrur Arefin, additional managing director of City Bank.

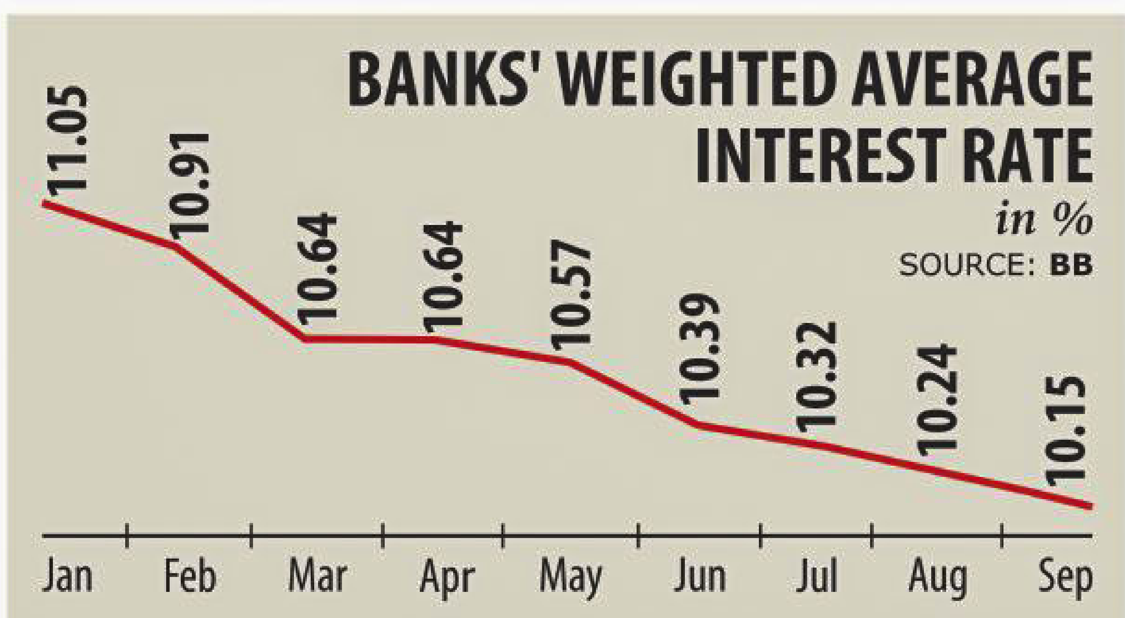
There are 57 banks and nearly three dozen non-bank financial institutions in Bangladesh. All the lenders compete with each other to net customers from a $220 billion economy.

City is offering home loans at 8.75 percent -- which is 9 percent for most of the banks -- down from 11 percent a year ago. The interest rate for auto loan costs 10-11 percent, which was 14-15 percent last year.

"No banks will take the risk of losing good clients," said Arefin, who is also the chief communications officer of the bank.

Even unsecured loans for small and medium enterprises have also gone down significantly in the last one year.

The interest rate for small and micro loans now cost 15-16 percent, down from 22-23 percent a year ago, according to Brac Bank, the market leader in the SME loan category.



"The demand for credit is low and we have to dig out new avenues and customers to invest the funds," said Selim RF Hussain, managing director of Brac Bank, whose SME loan portfolio stands at upwards of Tk 22,000 crore.

The speed at which the interest rate is sliding down is unsustainable, he said. "Intense competition among too many players rattles the market."

Dutch-Bangla Bank's cost of operation is higher than many other market players as both the lenders have huge customer base.

"We are under pressure to reduce the interest rates further but we cannot do so without a cut in the operational costs," said Abul Kashem Mohammad Shirin, the newly appointed managing director of Dutch-Bangla Bank.

Dutch-Bangla Bank's cost of operation is nearly 5 percent, which is 2 percent for many banks. But on the bright side, the bank's deposit is lower than many others. Altogether, Dutch-Bangla Bank's cost of fund stands at around 7 percent.

The low interest rates though are not translating well in the economy.

Small businesses still have to pay higher rates of interest and face hassles from banks, according to Abdus Salam Murshedy, a director of Premier Bank.

"Banks always run after clients who have a good reputation and strong balance sheets."

Besides, the lending rates did not decline in proportion with the deposit rates, he said, adding that despite the falling interest rate investments are not coming up due to the energy crisis.

"When existing factories face energy crisis, no new investors will come forward in this situation," said Murshedy, managing director of Envoy Group.

Top brands honoured

STAR BUSINESS REPORT

Bangladesh Brand Forum yesterday honoured the finest local and international brands in Bangladesh, highlighting their acceptance among consumers.

The Best Brand Awards were handed over in partnership with leading brand research company Kantar Millward Brown Bangladesh, in association with The Daily Star, at Le Méridien hotel in Dhaka.

The brands were awarded in 22 fast moving consumer goods (FMCG) categories and 11 non-FMCG categories.

Grameenphone, the leading mobile phone operator, got the Best Overall Brand award and Radhuni Masala, the Best Local Brand award.

Shwapno, owned by ACI Logistics Ltd, was awarded in the superstore category; Unilever Bangladesh in personal care category and Ispahani Mirzapore in hot beverage.

Transcom Beverage, sole franchisee of PepsiCo in Bangladesh, won the top award for 7Up in the carbonated soft drink category and the second award for Complan in the health food drink category.

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Saarc satellite renamed South Asian satellite

Pakistan pulls out of the project; Bangladesh may sign MoU in Dec

MUHAMMAD ZAHIDUL ISLAM

The proposed Saarc satellite will now be rebranded as the South Asian satellite after Pakistan dropped out from the project, said a senior official of the telecom division.

To launch it as a Saarc satellite, consent from all member nations of the South Asian Association for Regional Cooperation is required.

The idea of Saarc satellite was first put forward by Indian Prime Minister Narendra Modi during the association's summit in Nepal in November 2014.

The satellite was meant to be a gift from India, which will design, build, launch and maintain it, for the benefit of Saarc members in various fields including telecom and tele-medicine.

Bangladesh, Sri Lanka, Bhutan, the Maldives and Nepal responded positively to the idea, but Pakistan and Afghanistan refused to join the consortium, halting the project.

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Solar energy a strong contender for power generation: report

STAR BUSINESS REPORT

Solar energy and imported electricity would be a commercially viable alternative to power generation based on imported fossil fuel for Bangladesh, according to a report released yesterday.

The Institute for Energy Economics and Financial Analysis (IEEFA), a US-based organisation, prepared the report suggesting Bangladesh re-evaluate its 'exceptionally grand but entirely subsidised plans for ever more imported thermal power capacity'.

The report titled 'Bangladesh Electricity Transition: A Diverse, Secure and Deflationary Way Forward' was unveiled yesterday by Bangladesh Poribesh Andolon at a press conference yesterday at the National Press Club on behalf of IEEFA.

Citing the falling prices of solar panels, the report said Bangladesh should immediately target a 1 gigawatt annual utility-scale solar installation programme that would see 10GW of cumulative capacity operational by 2024-25.

Citing unsubsidised utility-scale solar tenders, it said electricity tariffs have been as low as $64 per megawatt hour (MWh) in India, $24/MWh in UAE, $29/MWh in Chile and $33/MWh in Mexico in 2016.

"The trend of reducing auction tenders for solar PV in India can be repeated in Bangladesh," IEEFA said, adding that the government's objective to ensure access to electricity for all by 2021 can be achieved by redoubling efforts on solar home systems.

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Accord in talks for extended stay

REFAYET ULLAH MIRDHA

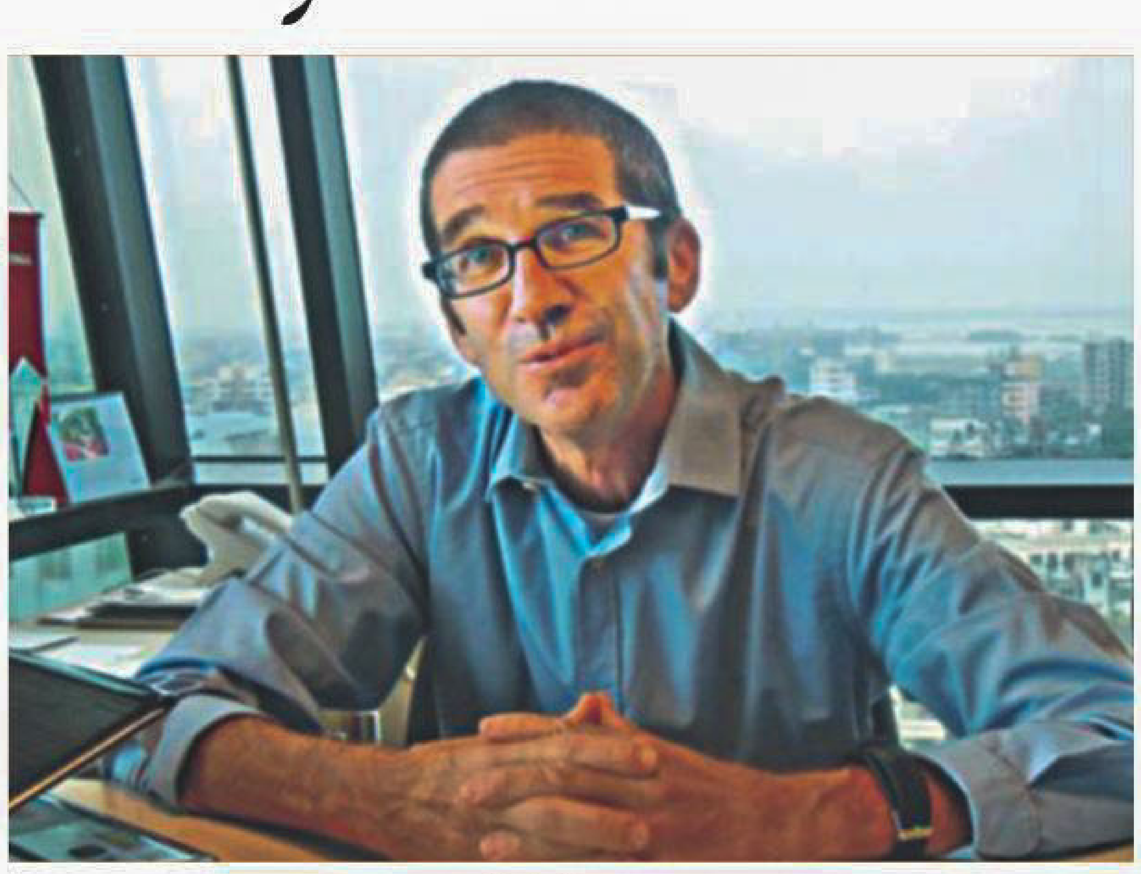
Accord, the garment factory inspection agency sponsored by European retailers, is in discussion with the government to extend its tenure in Bangladesh beyond June 2018 to ensure completion of remediation works in all its member factories.

The platform is planning to extend its stay in Bangladesh by another three years, much to the displeasure of garment factory owners.

The number of factories from which the 220 Accord signatories source has expanded much since the inspections started in February 2014, said Rob Wayss, executive director and acting chief safety inspector of the agency. At present, it stands at upwards of 7,000.

The platform is now conducting its fourth batch of preliminary inspections, meaning the more recently inspected factories will not have finished with their remediation by June 2018, he told The Daily Star in an interview last week.

"Our experience to date has been that approximately 18 percent of items that are reported to us as corrected prove not to be corrected or not to be properly corrected when our engineers do our follow-up verification inspections."



Rob Wayss

Accord's first batch of inspections concluded in September 2014 and the remediation works in this group of factories will most definitely be complete by June 2018.

"We expect that the factories inspected in our first batch of inspections in Feb-Sept 2014 will complete initial remediation in the first half of 2017."

About 72 percent of the total findings from the initial inspections are reported as corrected by the factories and/or verified as corrected by Accord engineers, Wayss said.

After the Rana Plaza building collapse, 220 retailers joined hands to form the Accord with the view to fixing the structural, electrical and fire loopholes in Bangladesh's garment factories.

Fiat Chrysler teams up with Amazon to sell cars online

REUTERS

Fiat Chrysler Automobiles (FCA) said it has teamed up with U.S. internet giant Amazon to start selling cars online offering an additional discount.

Initially only Italian buyers will be able to purchase their cars with a simple click online and the offers on Amazon. It will be limited to three models - the 500, the Panda and the 500L.

FCA said the choice was deliberate because the Panda is Italy's biggest selling car, while buyers of the 500 and its larger 500L version embody the young and adventurous nature this initiative is trying to appeal to.

"The time has arrived to give consumers a new, more efficient and transparent way to choose a new vehicle," Gianluca Italia, responsible for Fiat Chrysler in Italy, said. The manager at the world's seventh largest carmaker said the partnership will appeal to buyers looking for deals from the comfort of their own home, adding that existing promotions will be improved by up to 33 percent for online customers.