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Star BUSINESS

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Changes in bank law on cards

Govt wants to strengthen grip of families on private banks

SAJJADUR RAHMAN

The finance ministry has moved to make changes to the Banking Companies Act 1991 that would strengthen the grip of families on private banks.

The amendment proposed to increase the tenure of the board of directors of a private bank from six years to nine years and accommodate four members of a family instead of two in the board.

Finance Minister AMA Muhiith, who signed off the proposal on Wednesday, believes the amendment would bring in dynamism to the sector and help new banks to operate properly.

The proposed amendment though is contrary to the previous one made by the Awami League-led government in 2013.

The sub-section 10 of section 15 of the Banking Companies Act 1991, which was amended in 2013, bars more than two members of a family in a bank's board.

The tenure of a director is set at three years and no director is allowed to run for more than two terms, meaning maximum 6 years.

Muhiith also gave a new definition of family to pave the way for more members of a household in a bank's board.

Under the present law, the director's spouse, parents, children and any dependent are considered family.

But the finance minister said a member of a family cannot be termed a dependent

if he/she does separate business and becomes a taxpayer.

The existing laws that permit two members of a family in a board limit the scope for other eligible members of the kinfolk, he said while explaining the reasons for the proposed amendment.

The Bangladesh Association of Banks, a forum of private banks' directors, demanded the amendment.

It sought for an increase in tenure to nine years or three terms in a row. The six-year tenure may be applicable to directors like the independent, appointed or ex-officio ones. The proposal will now need to get the green light from the president, after which it will be placed in the next session of the parliament.

Earlier in May, the government in a cabinet meeting approved the changes to go with the demands of the directors of the private banks.

Experts fear that the move would badly affect the banking sector.

Salehuddin Ahmed, a former governor of the Bangladesh Bank, said the government could have discussed the issue with the experts, including accountants and bankers, before making the amendment.

Unless there is any counter measure put in place, the move will be detrimental to establishing good governance in the banking industry, he said.

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Import of powdered milk almost doubles

Local dairies worried

SOHEL PARVEZ

Bangladesh has almost doubled its import of powdered milk, driven by increased industrial use and home consumption, said industry operators.

In the three years to 2015-16, average annual import rose to 104,000 tonnes, up 86 percent from 56,330 tonnes in the same time-span till 2009-10, according to the Bangladesh Bureau of Statistics (BBS).

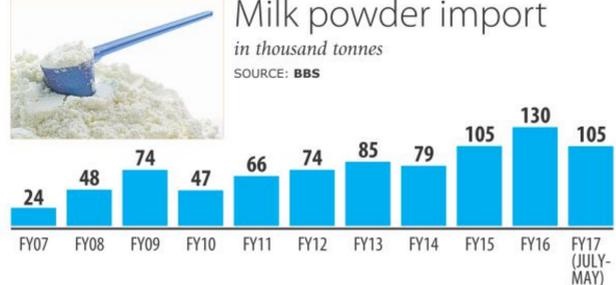
"Industrial demand to make sweets, bakery and ice cream has played a key role in driving consumption," said Asif Iqbal, executive director for marketing at Meghna Group of Industries.

He said powdered milk prices fell below that of substitutes and the import growth in the last two years has been spurred by promotional activities and low global market prices.

However, the prices are now rising, said Iqbal.

The FAO Dairy Price Index averaged 216.6 points in July, up 3.6 percent from June and 52.2 percent on July 2016. Despite this latest increase, the index is still 21 percent below its peak, reached in February 2014, said the UN agency in July this year.

BBS data showed that powdered milk imports amounted to 105,683



tonnes in the July-May period of 2016-17. Imports shot up 23 percent year-on-year to 1.3 lakh tonnes in 2015-16.

A decade ago in 2006-07, Bangladesh imported only 24,000 tonnes of powdered milk, according to the BBS. Most of it came from Australia and New Zealand, said Iqbal.

Skimmed milk accounts for a majority of the import, said some industry officials.

Bangladesh's annual average consumption of skimmed milk was 35,000 tonnes in 2013-15. It is projected to increase to 49,000 tonnes by 2025, according to the OECD-FAO Agricultural Outlook 2016-2025.

Average whole milk powder consumption was estimated at 43,000 tonnes during 2013-2015. It is estimated to grow to 60,000

tonnes by 2025, it added.

"Demand is rising as people's purchasing capacity has gone up. The habit of drinking milk is developing among us," said SA Mallick, managing director of New Zealand Dairy Products Bangladesh Ltd.

However, Bangladesh still lags behind India, Pakistan and Sri Lanka in per capita milk consumption.

Kamruzzaman Kamal, director for marketing at Pran-RFL Group, said low customs duty also encouraged the imports of powdered milk, particularly instant formula for babies. "Overall consumption is rising thanks to increasing health consciousness and population growth," he said.

The use of powdered milk has also risen as a substitute for condensed milk in the preparation of tea and coffee, he added.

Concern of Local Dairy

Imports are rising at a time when local farmers are demanding curbing entry of foreign milk, citing that commercial farming of cattle at home for milk and meat has increased and that higher imports affect the development of the local dairy farming and industry.

Some 72.75 lakh tonnes of milk were produced in 2015-16, up 4 percent from a year ago.

Yet, this is inadequate to meet the annual requirement, estimated at 1.46 crore tonnes in 2015-16, according to the Department of Livestock Services.

"The government should offer increased incentives to encourage dairy farming and local processing so that imports dependence can be reduced," said Kamal.

Recently, the Bangladesh Dairy Farmers' Association (BDFFA) urged the government to take steps to curb imports.

"Rising imports is the main constraint to the dairy industry. We appeal to the government to establish plants to make powdered milk and take steps to ensure proper marketing of locally produced milk," said BDFFA President Mohammad Imran Hossain at a press conference on July 29.

The number of registered dairy farms rose to 12.01 lakh in 2015-16 from 79,942 in 2010-11.

Grameen Bank profit falls 7pc in first half



STAR BUSINESS REPORT

Grameen Bank logged in Tk 102 crore as profit in the first half of 2017, down 7.2 percent year-on-year, thanks to full-fledged implementation of the new pay scale, said the microlender.

An additional Tk 61 crore had to be spent in the first half of the year to implement the new pay scale in full, said a senior official of the bank.

If the additional expenses were not included, the profit margin would have been much higher, he said.

The bank lent Tk 11,353 crore during the six-month period, up 21.85 percent year-on-year. The microlender distributed Tk 3,458 crore alone among small and medium enterprises.

As of June, its outstanding loans were Tk 13,458 crore.

Some of the zones in which the bank operates in have been hit by floods. As a result, the bank has stopped collecting instalments from those areas.

The bank added more than 5 lakh new customers so far this year, taking the number of its members to 88 lakh. Since 2008, Grameen Bank has been paying 30 percent dividend to its shareholders, which includes the government.

Last year the government, which owns 25 percent stakes in the bank, received Tk 6 crore in dividend.

Grameen Bank's full-year profit in 2016 was Tk 139.29 crore.

Apparel exports to US drop

REFAYET ULLAH MIRDHA

Garment shipment to the US, the country's single largest export destination, declined 7.47 percent year-on-year to \$5.2 billion in 2016-17 largely because of higher duty, longer lead-time, and lower prices.

Apparel exporters also blamed the appreciation of the local currency against the American greenback, less imports by US retailers and inefficient port operations in Bangladesh, for the fall in garment exports.

Exporters say Bangladesh's garments are less attractive to US customers as competing countries can offer similar items at lower prices since they enjoy preferential duty privilege.

Bangladeshi apparel exports face 15.62 percent duty to the US markets, whereas Vietnam, Turkey, China and India are subjected to 8.38 percent, 3.57 percent, 3 percent and 2.29 percent duty respectively. Longer lead-time is another major problem confronting Bangladesh whereas competitors can send to the US within a shorter time.

Bangladesh takes nearly three months to export to the US whereas competitors can supply the same products to the US within 60 days or less. International retailers have also cut the lead-time for Bangladeshi exporters.

Previously, international retailers and brands used to place work orders with Bangladeshi manufacturers with a six-month lead-time, but now it has gone down to two to three months due to the 'fast fashion' in the Western world.

Bangladesh needs to import raw materials such as cotton and spin them locally before making the finished products. A lack of adequate skilled workforce is another drawback.

As a result, many small and medium-sized factories cannot take orders to cater to retailers within such a short time, said exporters.

Fast fashion is a contemporary term used by fashion retailers to capture current fashion trends.



Retailers and brands also put pressure on manufacturers to cut prices in the name of fierce competition although the cost of production is increasing by 18 percent every year.

The country's garment sector was hit with 15 percent price cut in the last two years, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

A few US brands and retailers also withdrew work orders of substantial quantity from Bangladesh last year as they faced criticism from customer groups for sourcing their products from Bangladesh where labour conditions are regularly criticised, said industry insiders.

In recent years, the US-Bangladesh relations deteriorated, largely after Washington suspended trade privileges for the country in 2013 for "serious

shortcomings" in safety and labour standards.

Since then, Bangladesh has been working to improve labour rights situation and workplace safety to win back the generalised system of preferences. "We are also facing troubles at the airport and the Chittagong port," said Faruque Hassan, vice-president of the BGMEA. "It takes four or five days to get the samples out of the airport whereas we need the samples within a day," he said.

Similarly, the situation at the Chittagong port worsened because of container congestion. The country's premier port cannot release imported goods to garment makers even in two weeks, according to Hassan.

"All these things are making Bangladesh a least preferred garment nation," said Mohammed Nasir, managing director of Evergreen Sweater.

Fake handsets flood market

Online channels selling counterfeit Nokia and other brands

MUHAMMAD ZAHIDUL ISLAM

Md Sadekuzzaman, a private jobholder, recently chanced upon a 40 percent discount for the revamped Nokia 3310 handset on Facebook.

Too good to pass up, Sadekuzzaman did not waste any time in placing an order for himself, even sending in Tk 100 as booking fee through the mobile financial service.

Two days later, he was informed that his phone had arrived at a nearby courier service depot; he would have to pay the value of the set, which is Tk 2,990, to take delivery.

He did as instructed and when he opened the box he found that he was sold a fake Nokia 3310. Since he had already opened the box, he could not return the set or get his money back.

Sadekuzzaman's was not an isolated incident. Counterfeit handsets have found their way into the local market through the illegal channels, with one of them being a Facebook page named 'Nokia Bangladesh'.

On July 23, the page made its first post about the offers and shared two mobile numbers, 01982189444 and 01743873964.

When one calls on the number to enquire about the offers and the handsets, they give assurances that the items can be returned and a full refund would be given. In reality, this does not happen.

Nokia has learnt about the duplicitous dealings of the businesses and is planning to launch an awareness campaign so that customers do not fall into their trap.

Farhan Rashid, head of business at Nokia, said they are trying to get the law enforcing agencies involved to address the issue.

Nokia faced similar problems before, when the handset maker was the undisputed market leader.

"Years back, when our market share was around 80 percent, we first found out about this fake handset business -- they were spreading their word through SMS then, and now they are using Facebook."

This time, Nokia is determined to get to the bottom of the matter.

"We are trying to detect the origin of these fake handsets but the traders change their location so often that it is very difficult to pinpoint them," Rashid added.

It is not just Nokia devices, the other brands' handsets are also being counterfeited. Besides, there is another underground marketplace where refurbished handsets are sold as brand new.

Market insiders said reports of such incidents are being heard of more frequently nowadays and they blame it on the government raising the tax on handset imports through the legal channel.

At present, handset imports are subjected to about 30 percent tax.

Bangladesh Telecommunication Regulatory Commission and the law enforcement agencies ran different drives against the fake handset businesses and even seized thousands of units. But the situation did not improve definitely as the drives were not conducted on a regular basis.

Bank Asia to disburse Western Union remittance

STAR BUSINESS REPORT

Bank Asia and Western Union have jointly launched a remittance service which will use the bank's countrywide agent banking channel to distribute funds among the beneficiaries.

Arfan Ali, president and managing director of Bank Asia, and Sohini Rajola, Western Union's managing director for South Asia, inaugurated the service at a programme at the Westin hotel in Dhaka yesterday.

"Remittance coming through Western Union will be disbursed by the agent banking channels of Bank Asia," said Ali.

He said the partnership would stop illegal transfer of remittance and make the service convenient for remittance

beneficiaries.

The use of agent banking channels will develop savings habit among people and the partnership with the international money transfer company will build trust on the agents, said a top executive of the bank.

Bank Asia currently has over 1,250 agents in 55 districts.

Remittance amounting to Tk 572 crore was disbursed through agents between January and March this year. Of the amount, the highest 47 percent or Tk 269 crore was channeled through Bank Asia, according to central bank data.

The total number of agent banking accounts of Bank Asia stood at 162,378 in March. Currently, 11 banks have agent banking operations.

Dhaka stocks continue rally

STAR BUSINESS REPORT

Shares at the Dhaka Stock Exchange maintained a gaining streak in the opening session of the week riding on the momentum in banks and engineering securities.

The broad DSEX index gained 27.18 points yesterday to close at 5,907, the highest level since the index was introduced in 2013.

The daily turnover, however, fell 14 percent to Tk 919 crore from Tk 1,077 crore in the previous session.

The DSEX was upbeat throughout the day with positive movement of large cap companies, according to a market analysis of LankaBangla Securities.

"Investors supported the market rally with enthusiasm, keeping participation substantial," said IDLC Asset Management in its daily market commentary.

Among the large cap sectors, engineering, banking, and mutual funds edged up by 1.94 percent, 1.18 percent and 0.84 percent respectively. At the DSE, 153 securities gained, 146 declined and 33 remained unchanged. A total of 134,612 trades were executed on the day.

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