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BUSINESS

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Single-digit interest rate from Aug 9: Muhith

STAR BUSINESS REPORT

Banks yesterday pledged to lower the interest rate on lending to single digit from August 9 -- a proclamation that must be taken with prudence given their earlier assurance to do so from July 1 never came through.

"If anybody does not do this after August 9 you can report it," Finance Minister AMA Muhith told reporters after a meeting with the chairmen and managing directors of banks.



AMA Muhith

At the meeting, banks, both public and private, agreed to lower the interest rates on lending and deposits to 9 percent and 6 percent respectively from next Thursday.

Banks earlier said the interest rate on lending did not come down to single digits as promised on June 20 as the deposit rate remained sticky upwards.

Back in June, private banks had announced they would lower the interest rate on deposits to 6 percent; the state banks did not make any such announcement then but

their interest rate was expected to shadow the private banks'.

But, no bank lowered their deposit rates.

Now, the banks said the lending rate would definitely come down provided the state-owned enterprises keep their funds with private banks and the interest rate on national savings instruments are lowered in line with the bank deposit rates, according to meeting sources. The interest rate on national savings certificates will be reviewed on August 8, the finance minister said.

The lowering of lending rate is long overdue as the government and the Bangladesh Bank have extended private banks, which account for 40 of the 57 banks in the country, a host of benefits in the last four months.

The benefits include lowering of corporate tax, slashing of repo rate and reduction in cash reserve ratio as the government moved to decrease the lending rate and ease their liquidity crisis.

Private banks were also allowed to hold 50 percent of the funds of state agencies, up from the previous ceiling of 25 percent -- a move that has led to its desired outcome, according to Muhith.

"There is no liquidity crisis in banks -- they have plenty of funds now," he added.

Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, the platform of private banks' chief executives, told reporters after the meeting that they have promised to lower the interest rates.

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Shubhashish Bose, commerce secretary, speaks at a programme at The Daily Star Centre in Dhaka yesterday when the findings of a study styled "Developing capacity building framework for green industry in RMG sector" were presented.

Green factories can give garment exporters another edge: BKMEA

STAR BUSINESS REPORT

Green industrialisation can play a vital role in garment exporters' competitiveness as the buyers are progressively being drawn to green factories for their commitment towards the environment, a recent study found.

"Retailers prefer to source from green factories, so proper branding is needed to attract buyers," said the study on developing capacity building framework for green industry in Bangladesh's garment sector.

The foreign affairs and commerce ministries may help on that front by arranging awareness programmes in target markets.

If the green factory owners can negotiate properly, they may get a higher price than others, said the study by the Bangladesh Knitwear Manufacturers and Exporters Association.

But to set up a green factory, financing and technical expertise are major constraints.

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Remittance inflow up 18pc in July

STAR BUSINESS REPORT

Remittance inflow has continued its upward trend for 10 consecutive months in July, registering an 18 percent year-on-year growth thanks to the depreciation of the taka against the US dollar.

Expatriates sent home \$1.31 billion in the month whereas it was \$1.11 billion in the same month last year, according to Bangladesh Bank data released yesterday.

July's receipt, however, is slightly lower than \$1.38 billion that came in June because of the "post-Eid hangover", a BB official told The Daily Star.

The country celebrated Eid-ul-Fitr, one of the largest religious festivals of Muslims, in June and remittance dropping to a lower figure the following month is a regular phenomenon, he said.

He expected remittance inflow to spike ahead of Eid-ul-Azha, scheduled to be celebrated on the fourth week this month, as family members of expatriates need extra money to buy sacrificial animals.

Bangladeshis living abroad are remitting more money through the formal channel as their near and dear ones are now getting a better rate against the

dollar, said Syed Mahbubur Rahman, managing director of Dhaka Bank.

Many banks are offering higher rates against the remitted greenbacks to encourage non-resident Bangladeshis to send money through their channels, Rahman said.

On August 1, the interbank exchange rate was Tk 83.75 per USD, up from Tk 80.66 a year earlier.

The country's banking sector has been facing a shortage of greenbacks for several months because of higher import payments, said Rahman, also the chairman of the Association of Bankers, Bangladesh, a platform of the chief executive officers of the private banks.

The upward trend of remittance inflow is helping reduce the country's large current account deficit, he said.

The current account deficit hit a record \$9.37 billion in the first 11 months of the just concluded fiscal year.

Banks are deploying representatives abroad to increase remittance through their channels, Rahman said.

At the same time, the central bank has strengthened its surveillance against hundi, an illegal cross-border fund transfer process, Rahman said. The central bank's monitoring has given a boost to remittance inflows, he said.

Solar-powered irrigation improves farming

STAR BUSINESS REPORT

The solar irrigation system holds huge potential in Bangladesh and can provide sustainable solutions without requiring any fuel, reduce carbon emission and save millions in foreign currency, according to Infrastructure Development Company Ltd (IDCOL).

IDCOL issued a statement after carrying out an impact assessment on its pilot project undertaken in 2013 in some northern districts.

Being a country located in tropical delta, irrigation plays a vital role in Bangladesh's agriculture and accounts for about 43 percent of the cost for cultivation.

Presently, the country has 1.34 million diesel pumps and 0.27 million electric pumps. The diesel-run pumps consume at least 1 million tonnes of diesel worth \$900 million per year, with the government providing huge subsidy to keep its price affordable for farmers.

The electricity-run pumps consume about 1,500-megawatt of power.

In this backdrop, solar irrigation can provide sustainable irrigation solutions without requiring any fuel, said IDCOL in a statement.

IDCOL initiated a pilot project in



IDCOL

Solar panels that run an irrigation pump are seen at Badarganj upazila in Rangpur.

2013 with a target to install 1,500 solar irrigation pumps by 2018. Later, identifying the prospects of solar irrigation pumps and its acceptance among farmers, the goal was revised to 50,000 by 2025 which will replace around a quarter million diesel-run pumps.

Notably, solar pumps being

installed under the IDCOL Solar Irrigation Programme are of larger capacity and each pump can replace four to five conventional diesel-run pumps, said Mahmood Malik, executive director of IDCOL, in the statement.

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PHP brings in Bangladesh's first green vessel to scrap

STAFF CORRESPONDENT, Ctg

PHP Family brought in the country's first green vessel—certified to contain no material hazardous to health—to scrap in its ship breaking yard in Sitakunda on Tuesday.

Local conglomerate PHP spent Tk 100 crore to purchase the vessel, Ore Vitoria, from Brazilian iron ore mining company Vale.

PHP started breaking the ship down in its yard yesterday, a process that will take about five months to complete, said Zahirul Islam, managing director of the yard. Ore Vitoria weighs about 27,000 tonnes and was built in 1989 by Vale, he said.

The yard and the vessel were certified as green under the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

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COLLECTED

The green vessel—Ore Vitoria—brought in by PHP's ship breaking and recycling yard to scrap is seen in Sitakunda on Tuesday.

40pc bankers dislike working in internal audit: BIBM survey

STAR BUSINESS REPORT

Around 40 percent of the bankers do not want to work in the internal audit departments due to the huge work pressure, a survey found.

Bank officials do not choose to be in the department as they have to spend more time there, which hampers their family life, according to a survey titled "Internal Audit and Performance of Banks in Bangladesh".

Conducted by the Bangladesh Institute of Bank Management (BIBM), the survey is part of a research which was made public at a workshop in the institute's auditorium in the capital yesterday.

Abdul Qayum Mohammad Kibriya, a BIBM faculty member, presented the research paper at the event where Abu Hena Mohd Razee Hassan, deputy governor of Bangladesh Bank, was the chief guest.

Only 1.52 percent of a bank's employee work in the internal audit department, meaning there is a huge shortage of manpower in such units, according to the survey.

Most banks strongly agreed that internal audits help minimise irregularities, develop asset quality, rectify procedural and recording errors and prevent money laundering risks.

However, banks are unwilling to invest in strengthening internal audit

systems and go as far as refraining from taking measures over poor audits.

All banks think that there is a positive relation between quality of internal audits and performance. However, 20 percent of banks think that strong internal audits may leave some negative impact on performance.

About 92 percent of banks opined that it was possible to retain record of rejected credit proposal due to strong audit system of the bank but only 12 percent retain such record.

A majority of banks opined that customers with bad intention might switch over from banks with strong internal audits to one where it is lenient.

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No duty-free edible oil from Bangladesh, Sri Lanka

India's domestic cooking oil association says

PALLAB BHATTACHARYA, New Delhi

India allowing duty-free import of edible oil from Bangladesh and Sri Lanka under South Asian Free Trade Area (Safat) framework has raised the hackles of the domestic industry. The domestic cooking oil body is

concerned that imports from Bangladesh and Sri Lanka have the potential to hurt the Indian refiners and millers. In March this year, the Indian government effected a 3-percent increase in the import duty on edible oils, leading to a decline in import of vegetable oils in June.

However, edible oil traders and bulk buyers switched to the Safat, which allows duty-free imports, to get away with the import duty.

Trade sources said a ship carrying 10,000 tonnes of edible oil has already reached the Haldia port in West Bengal and another vessel

with an identical quantity is likely to reach the Mumbai port soon.

Earlier, such imports used to be in the region of 1,000 tonnes by land routes, said BV Mehta, executive director of the Solvent Extractors' Association of India.

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