Star BUSINESS

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DSE indices up as trading resumes

STAR BUSINESS REPORT

After a two-day break trading on the Dhaka Stock Exchange (DSE) took place yesterday with price indices going up.

Although the DSE authorities decided to keep the bourse open during the blockade programme called by the 14-party alliance, trading on the premier bourse would not take place, as the quorum of the members was inadequate.

On Sunday and Monday only 38 and 36 members logged into the trading system. DSE quorum needs 70 members.

DSE All Share Price Index increased by 31.81 points or 2.57 percent to close at 1266.07 points yesterday while the DSE General Index went up by 30.53 points or 2.06 to close at 1506.08 points.

DSE-20 Index, which comprises blue chips, also increased by 18.87 points or 1.46 percent to close at 1307.20 points.

"The price indices went up, although the trade volume in terms of value was thin due to participation of institutional investors," said DSE Chief Executive Officer Salahuddin Ahmed Khan.

Gainers outnumbered the losers. Of the total 151 issues traded, 113 advanced, 20 declined and 18 remained unchanged. A total of 28,46,573 shares worth Tk 25.07 crore changed hands.

"Trading on the DSE will continue tomorrow [today] subject to no quorum crisis," DSE CEO added.

Meanwhile, Bangladesh Industrial Finance Company (BIFC) will make its debut on the DSE today if the bourse remains open.

Meanwhile, trading on the Chittagong Stock Exchange (CSE) is on. The port city bourse does not have quorum system to start trading.

Trading on CSE closed higher yesterday with gainers outnumbering the losers.

The CSE All Share Price Index increased by 2.02 percent to close at 3610 points while the CSE-30 Index went up by 1.67 percent to close at 3142.75 points.

A total of 76 issues were traded yesterday. Of them, 57 gained, 14 declined and five remained unchanged. Some 13,63,124 shares worth Tk 11.68 crore changed hands on the CSE.

Dollar surges to Tk72.95

Banks asked to check hoarding

STAR BUSINESS REPORT

Dollar price against taka surged again yesterday in the inter-bank foreign exchange market and Bangladesh Bank (BB) asked all commercial banks to be cautious so that the situation could not be volatile.

The BB also suggested that the banks should limit the time from four months to one month in allowing import credit to check hoarding.

The directive came at a meeting with the chief executive officers of 14 commercial banks at the central bank's conference room.

"The new BB directive will help check hoarding at importer and wholesalers level," a high official of the central bank hoped.

The meeting, with BB Governor Dr Salehuddin Ahmed in the chair, reviewed the dollar price situation in the local market

Finance Adviser Dr Akbar Ali Khan recently asked the central bank to review the reason behind the recent upward trend of greenback value.

The dollar price reached Tk 72.95, the highest-ever rate, yesterday marking a 1.46 percent rise. The price was Tk 71.90 the previous day.

According to the market sources, the price showed its upward trend since last week. Dollar was selling at Tk 67.50 during the ending period last month.

Akbar Ali Khan yesterday told the reporters that the dollar price goes high at the onset of hajj season when the potential pilgrims are used to collect dollars they require. The supply position of this foreign exchange has also declined due to fall in the inward remittance flow, which was resulted from the recent political turmoil, the finance adviser observed.

He also observed that export earnings might decreased during the period.

Banking sources said the inward remittance flow is usually low in the post-Eid period. The price upsurge is an occasional supply- demand gap phenomenon, the sources added.

Sources said in October, the flow of remittances marked a 15.30 per cent decline over that in the previous month due to lower rate of the BDT against the US dollar.

The BB sources said remittances from expatriate Bangladeshis stood at US$377.71 million in October, $68.28 million less than the amount remitted the previous month. In September, the total remittances were $446.00 million.

Meanwhile, the pressure on import payments increased since last week to settle some letters of credit (LCs) involving a large amount of funds that were opened by business houses.

China favours FTA with India

Delhi for broader regional trading agreement

PALLAB BHATTACHARYA, New Delhi

Ahead of Chinese President Hu Jintao's visit to India from November 20, India is more keen about a regional trading arrangement with other countries than a free trade accord as favoured by China.

"I'm unable to commit if an FTA is possible. But we will definitely consider a broader Regional Trading Agreement (RTA)," said Minister of State for Finance Ashwani Kumar at a launch of a Confederation of Indian Industry (CII) study on trade potential between India and China here on Monday evening.

India has adopted a cautious approach to enter into new FTAs and Prime Minister Manmohan Singh had recently reflected this stand by saying there was a need to closely examine the effects of a large number of FTAs New Delhi was entering into.

Prior to that, the chief of India's ruling party Congress Sonia Gandhi too had cautioned the government against rushing into FTAs.

Kumar said Hu's visit is set to focus on economic cooperation, regional trade agreement and global issues. During the visit, the two countries will sign Bilateral Investment Protection Agreement and 11 other pacts in different sectors.

China is interested in an FTA with India and also wants market economy status and Hu, during his visit, is expected to push for that.

Indian chambers of commerce and industries estimate that Sino-India trade could grow to 30 billion dollars by 2009-10 and 50 billion dollars by 2010-11 from existing 18.5 billion dollars.

According to a CII study, trade between the two countries in 2005 was 40 percent more than in 2004 and it is expected to cross 20 billion dollars by the end of this year, it points out.

To tap the benefits of growing trade, the Federation of Indian Chambers of Commerce and Industry (FICCI) suggests diversification of India's export basket to China.

India's exports to China are mainly confined to primary and resource-based products while China's exports to India are fairly diversified and include manufactured items as well as low and medium technology products, it says.

India's exports to China consist mainly of ores, iron ore, plastics, slag and ash accounting for 71 percent of total exports, FICCI says adding imports from China are both resource-based and manufactured goods like electrical machinery and equipment, mineral fuels and products, nuclear reactors, silk and organic chemicals.

The restructuring of China's textile sector could throw up new opportunities to increase export of cotton yarn and fabric to China from India, the FICCI study says.

It has identified 14 items as focus products to enhance and diversify India's exports to China and these include light commercial vehicles, auto engines and components, metals and metal-based products, electronic components, basic drugs, chemicals and pharmaceuticals, textile yarns and cotton fabric, electrical machinery, information technology products and services, consumer durables, process and semi-processed food items, minerals and mineral products, marine food, fruits and vegetables, stones and other construction materials.

Saudi investors due in Dhaka Dec 15

A team of entrepreneurs from Saudi Arabia will arrive in Dhaka on December 15 with considerable investment proposals.

The team includes entrepreneurs of different sectors like power, pharmaceutical, housing, energy, tourism and capital market, according to a press release of the Saudi-Bangladesh Chamber of Commerce.

The visitors are scheduled to meet the advisers in charge of finance and commerce ministries, governor of Bangladesh Bank, chairman of Securities and Exchange Commission, executive chairman of Board of Investment and presidents of Dhaka and Chittagong stock exchanges.

Nilufar attends microcredit summit in Canada

Nilufar Yasmin, one of the five winners of the 2006 Citigroup Microentrepreneurship Awards programme, is attending the Global Microcredit Summit at Halifax, Canada with the team from Bangladesh, says a press release.

Nilufar who has been adjudged as the winner of the "Best Innovative Micro Business of the Year" is representing Bangladesh as one of the successful microentrepreneurs graduating from microcredit at the summit, which is the largest gathering of top leaders in the field of microfinance in years.

Nilufar, who hails from village Binna, a remote area of Nesarabad upazilla in Pirojpur district, is showcasing her success story as the 'best innovative business microentrepreneur' from Bangladesh, the birth country of microcredit.

Speaking at a press conference before leaving Bangladesh Nilufar, who eyes to market cricket bats globally in near future, said, "Economically, I am not a vulnerable person anymore."

July-Sept exports grow 31.49pc

KAWSAR KHAN

Export earning in the first three months of current fiscal year 2006-07 reached US$ 3251.84 million, registering 31.49 percent growth over the same period of the previous fiscal, thanks to a high export performances by woven and knit garments.

During July-September of FY 2005-06 export earning was $ 2473.04 million, according to Export Promotion Bureau (EPB) statistics.

The export earning during July-September of FY'07 was also 1.82 percent higher than the export target of $ 3193.75 million.

EPB sources said during the period price index of export items increased by 1.88 percent while the index of quantitative export went up by 29.61 percent.

Export earning from woven garments grew by 30.92 percent reaching $ 1,266.15 million while knitwear export shot up by 35.94 percent reaching $ 1,249.34 million during July-September period.

Apart from woven and knit export, earning from frozen food, home textile, footwear, petroleum by-products, ceramic products, handicrafts, cut flower, agro processed goods and engineering products also registered significant rise, contributing to the overall export growth. All the products also exceeded the export target for the period.

Export growth of pharmaceuticals, chemical fertilizer, tobacco and vegetables, tea and electronics have declined and also failed to reach the export target during the period.

"Export of our apparel products have increased as few safeguard measures have been imposed on Chinese garment exports," said SM Fazlul Hoque, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

He said Bangladesh has developed backward and forward linkage industries significantly in the recent years as well as developed product quality that attract the attention of foreign buyers.

"Bangladesh may fail to sustain the export growth due to the ongoing political unrest," Hoque feared.

He also urged all to keep ports out of politics to help boost exports.

The EPB has attributed the technical support for export diversification, low interest bank loan facility, and cash incentive facility to the export growth. EPB has fixed a target of export earning of $ 12,500 million in FY 2006-07. In FY 2005-06, export earning, for the first time, reached a double-digit figure of $ 10.53 billion.

Sultana for efforts to expand local jute market

BSS, Dhaka

Adviser for Textile and Jute Sultana Kamal yesterday said that efforts have to be made to expand local market of jute and jute goods side by side with its export to develop the jute industry.

"The key reason for losing traditional market of golden fibre is weakness in planning for jute marketing," she said while visiting the head offices of the Department of Jute and the BJMC and exchanging views with officials of the two organisations separately.

Secretary of the Jute Ministry Dr Mahbubur Rahman and Chairman of Bangladesh Jute Mills Corporation (BJMC) Ataharul Islam were present.

"It was our historic mistake that we could not develop appropriate planning to cope with the change in international market demand in promotion of jute and jute goods, once the main cash crop of Bangladesh," she added.

Sultana Kamal said jute could play an important role in strengthening the country's economy, developing agriculture and improving the environment.

She assured that some short-term measures would be taken to protect the jute industry from continued losses.

PHOTO: STAR

(From left to right) Mathilde Mesnard, administrator, Corporate Governance of State-owned Assets, OECD, C M Shafi Sami, adviser to the caretaker government, Farooq Sobhan, president of BEI, and Motoyuki Yufu, principal administrator, OECD Outreach Unit for Financial Sector Reform, are seen at a roundtable on 'OECD guidelines on corporate governance for the SOEs' yesterday in Dhaka.

Microfinance in Bangladesh: Challenges and prospects

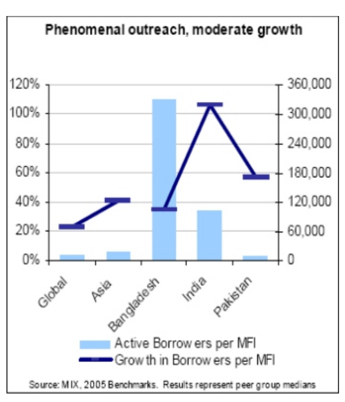
MAMUN RASHID

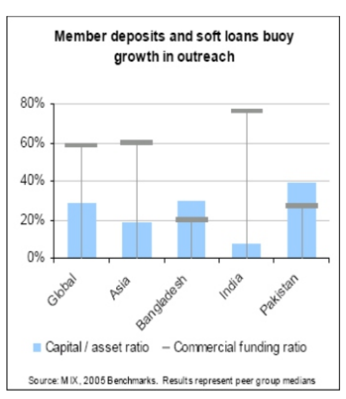
Bangladesh micro-finance sector is regarded as the largest and most efficient in the world. We still lead the global microfinance industry both in terms of its sheer size and productivity. Several efficiency indicators are quite in favor of Bangladeshi Microfinance Institutions (MFIs). From being development partner-supported entities, increasingly the Bangladeshi MFIs are moving towards self-sufficiency through commercialization of financing sources and improving internal control mechanism. Having said that, in terms of accessing the commercial sources, we are still way behind our comparables in other part of the world. It is learnt that in 2005 median MFIs sourced more than half of its financing from commercial funds, while Bangladeshi MFIs reached only one-third of the global average. The primary sources of financing for local MFIs are member's deposit and Palli-Karma Sahayak Foundation(PKSF) financing. MFIs in Bangladesh cannot offer regular deposit/savings services, hence, they have to depend primarily on forced savings which are collected as a condition for membership or for access to loan. The donor-backed PKSF financing is attractive for smaller MFIs with limited requirements and because they are yet to be able to establish their credibility for commercial borrowings. However, few analysts argue whether any kind of development support is a barrier for microfinance sector to integrate into the mainstream financial sector since MFIs are more like "working banks".

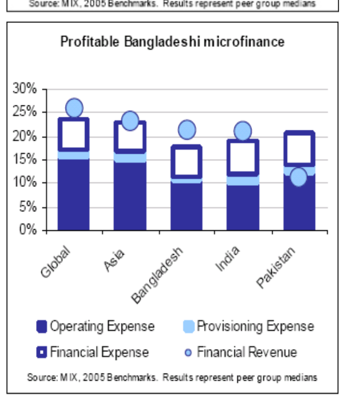
The reporting standards attract attention. Except for the larger few, most MFIs in Bangladesh do not follow international standard reporting. Calculation of delinquent loans by few MFIs remains obscure. MIS system is of utmost importance, since the granular level of operation and numbers/types of products/accounts must be accurately reconciled and reported in international standards to standardize the local MFIs with the rest of the world. Since Bangladesh is yet to have a national common identification system for its populace, possible misrepresentation in borrowers information remains a problem.

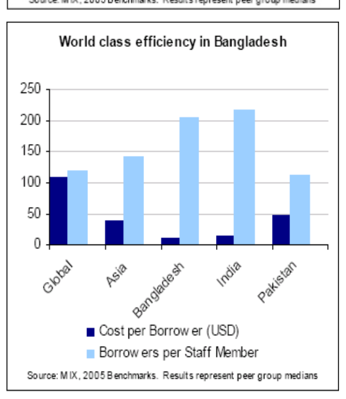
The Microfinance Information Exchange (MIX) survey (2005) reveals that eight leading Bangladeshi MFIs show the industry's strength in huge client coverage. Keeping aside big names such as Grameen Bank, BRAC and ASA, leading local MFIs serve over three times more clients as compared to the Indian MFIs. Market leaders such as Grameen Bank and ASA each added 1.3 million new borrowers in 2005. The growth rate was in line with other Asian markets, adding about 40% in new borrowers. The trends in Asia and Bangladesh are strong as compared to global growth.

As for financing sources locally, in 2005 only 20% of the loan portfolio of MFIs were funded through commercial sources; encouragingly it is 45% higher than that of 2004 numbers. BRAC has completed the World's first AAA-rated Micro-Credit Receivables Securitization; the transaction has attracted coverage from all leading international press and established a model to be replicated around the world. In the immediate past, MFIs raised financing through syndicated finance from the local market at commercial rates and terms. Talking about cost of operation, the median cost per borrower in 2005 was US$9 leading to record efficiency level for Bangladeshi MFIs, and strong productivity further leverages these low costs. And, the two Bangladeshi MFIs in the global top 10 most efficient institutions spent just over USD5 per borrower.









Interestingly, the group-lending model has achieved employee productivity level 75% higher than global norms, and 50% higher than Asian norms with each employee serving over 200 borrowers in Bangladesh.

Combining the above factors, in 2005 leading local MFIs posted median return on assets of 2.6% and on equity of 10.6% after adjustments for any subsidy and provisioning. Reasons for the impressive returns being lower composition of commercial borrowing, and the group-lending model that reduces cost per borrower as compared to MFIs globally.

However, as MFIs reach out for wider coverage and require more fund for their operations, they will be forced to source financing from commercial markets and the level of return will eventually come down to the level of several other countries where MFIs are more commercial market driven.

In Bangladesh, the total number of borrowers is roughly 18 million, with Grameen Bank leading the way with 6 million, and BRAC and ASA each having 5 million borrowers. The average size of the loan stands at BDT8,000, making the Bangladesh micro-finance segment a vibrant US$2.1 billion industry. The weekly village meetings and massive establishments to monitor borrowers who do not have any identification number or track record or any credible address is an enormous task. In the absence of any database, such as Credit Information Bureau (CIB) for the commercial banking sector, MFIs are to maintain their own database of micro-borrowers and the customer credit as well as history responsibly they not only maintain credit information but also social information due to their development angle of operation. As compared to commercial banks, the operational and monitoring cost of MFIs, operating in areas where commercial banks will never provide coverage, is far greater. Despite these hard facts, the rates charged by MFIs are lower than the interest rates charged from unsecured credit cardholders by commercial banks despite their clients being "well-to-do" high-income consumer group. The myth about higher interest rate will also replenish overtime as competition increases and dependency on development-fund reduces this is inevitable.

Most convincingly, the repayment rates are above 90% for most MFIs, and for larger MFIs with proper MIS system the recovery rates are even higher. The strong process that MFIs follow in terms of Credit & collections policies, Credit underwriting process & collections process, Backend systems, Branch operations, HR systems and policies, Audit & controls, and MIS reporting are commendable and contribute significantly to the recovery of loans. If we draw comparison with banks, credit rating of few MFIs are likely to be as good as banks'. The median capital/asset ratio is over 20%, which is higher than Asian peer group figure but close to the world median. As compared to commercial banks, this is a high standard required to provide adequate capital coverage to the micro-loans extended to so-called "high risk" segment in conventional sense.

Now that Bangladesh has a Microfinance Regulatory Act 2006, we would expect uniform reporting requirements and performance assessment procedure, proper policy guidelines that would help micro-credit flourish, a central database of micro-borrowers, and active support for MFIs to become more vibrant for the greater interest of social and economic development.

Through Professor Yunus, Bangladesh has achieved its highest recognition for its pioneering role and contribution to the global micro-finance industry. Our confidence level has increased, however we have an urge to take the MFI industry to its next trajectory through comparing the local norms against international benchmarks. This is high time to increase our standards of reporting as well as processing, ensuring far wider coverage with timely recoveries, and looking into the possibility of integrating micro-finance into the mainstream financial system, and again leave footprints for others to follow.

The writer is a banker

Apply int'l practice of corporate governance in SoEs

Speakers suggest at BEI roundtable

STAR BUSINESS REPORT

International practices of corporate governance should be applied in the state-owned enterprises (SoEs) of the country for ensuring accountability and efficiency, speakers suggested at a roundtable in Dhaka yesterday.

They said although providing customers an access to services at affordable prices through the SoEs is the government's job as it is its responsibility to protect their rights, it has failed to play its due role because these enterprises are faced with mismanagement, increased external competition and accumulated losses and liabilities.

They were speaking at the two-day discussion on 'Organisation for Economic Co-operation and Development (OECD) guidelines on corporate governance for the SOEs' organised by Bangladesh Enterprise Institute (BEI) at its auditorium.

The speakers lamented that taking advantages of the situation arisen out of such failure, private enterprises often hike prices of their products affecting mostly the poor adversely.

"Practising the principles of corporate governance can bring accountability and competence in the state-owned enterprises," said CM Shafi Sami, adviser to the caretaker government, addressing as chief guest the inaugural ceremony of the roundtable.

Bangladesh has ample scope for developing the SoEs, he observed, adding that the country is now increasingly becoming aware of the corporate governance.

BEI President Farooq Sobhan said through adopting the international best practices, the SoEs of our country can generate revenue and employment contributing to the national economy tremendously.

He, however, said their huge amount of bad debt with the nationalised commercialised banks, excess overheads and overmanning leave them non-profitable, which is why they fail to provide due services to the public.

Dr Mohammad Ayub Miah, additional secretary to the ministry of industries, said being historically inefficient and expensive, the SoEs have minimal return and poor direct contribution to the GDP, which resulted in low coverage of services for the poor.

Policies regarding administration of the SoEs are also responsible for their losses, he said, suggesting strategic public intervention in it for making them profitable and capable of playing a social role.

Referring to the industrial policy of 2005, Ayub Miah said the role of the government is not making business, rather facilitating the private sector by discharging a level playing field role for both the public and private sectors.

OECD Economist Mathilde Mesnard also spoke on the occasion.