Star BUSINESS

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NCBs' capital shortfall rises 7.35pc in 2006

REJAUL KARIM BYRON

The overall capital shortfall of the four nationalised commercial banks (NCBs) rose by 7.35percent to Tk8,053 crore in 2006, compared to the previous year.

According to Bangladesh Bank (BB) statistics, of the shortfall, capital shortfall was Tk3702 crore and provision shortfall Tk4370crore.

Officials of the NCBs said although their earning and profit increased because of rise in default loans, the capital shortfall marked a rise.

If the government does not inject capital, it will be too tough to cover up the huge cumulative shortfall, the officials anticipated.

Sonali Bank accounts for around 50 percent of the total deficit of the nationalised banks.

The bank's capital shortfall rose this year, although the government provided Tk400crore to raise capital of the bank last month. In 2005, the government provided Tk500crore to inject capital for Sonali Bank.

The government is very much cautious about adequate capital of this bank as it is the biggest state-owned bank.

However, as the government decided to sell off Rupali Bank, there is no plan to raise its capital at this stage. The new buyer of the bank may inject its capital after its takeover.

On the other hand, other two banks--Janata and Agrani-- are managing their capital from its own resources.

Sonali Bank's overall capital shortfall rose to Tk3853 crore until December 2006, whereas the provision shortfall was Tk2977crore. The overall shortfall of the bank in the previous year was Tk3, 828crore.

Sources in the bank said its capital shortfall rose, as the bank has not added its earnings of interest to the income due to classified loans.

The bank also faces liquidity crisis because it is yet to realise huge outstanding loans from the Bangladesh Petroleum Corporation (BPC).

The bank had to borrow Tk1065crore from call money market until May 2007 due to such crisis. As a result, the bank has to pay penal interest to the lenders.

Agrani Bank's overall capital shortfall decreased and stood at Tk2048crore in 2006, which was Tk2411crore in 2005. The bank had no provision shortfall during the period, it had enjoyed Tk19crore provision surplus during the time.

Janata Bank's overall capital shortfall increased to Tk1162crore, which was Tk795crore the previous year.

The drastic rise in provision shortfall of Tk788 crore resulted in the bank's huge capital shortfall. The provision shortfall of the bank was Tk391crore in 2005

The Rupali Bank's overall capital shortfall reached Tk990 in 2006, which was Tk466crore in 2005.

The operating profit of the four state-owned banks stood at Tk1105core. But due to huge provision shortfall, the banks' net profit was nil in the year 2006.

PHOTO: STAR

Dhaka University Vice-chancellor SMA Faiz inaugurates a two-day job fair in Business Faculty premises yesterday. FBCCI President Mir Nasir Hossain is also seen.

Homegrown policy seen as key to achieving MDGs

STAR BUSINESS REPORT

Homegrown policy is needed to achieve millennium development goals (MDGs), independent analysts said yesterday in Dhaka.

Donor-driven guidelines will not help much to cut poverty by 2015 deadline, they added.

They said each country has its unique nature of poverty and it needs indigenous ways to remove poverty.

The analysts were speaking at a press briefing at the National Press Club during a release of a draft report titled 'Independent Civil Society Report on the Progress of MDGs in Bangladesh, 2007'.

M Asaduzzaman, director (research) of Bangladesh Institute of Development Studies, released an overview of the report saying most of the targets will not be achieved within the set timeframe due to slow progress of implementation activities.

"The government as well as other stakeholders in the country are not bothered about achieving the goals within the timeframe," he added.

The draft report said although some progress has been made in several areas but most of the goals will not be achieved.

The report urged the government to consult general people for better implementation of the programme.

Resheda K Chowdhury, convenor of Peoples Forum on MDGs, Bangladesh, and Ahsan Uddin Ahmed, executive director of Centre for Global Change, also spoke.

Job fair begins at DU

STAR BUSINESS REPORT

A two-day career development and job fair began at Dhaka University yesterday.

The fair styled 'Corporate Bridge' is being organised by ninth batch of Marketing Department of DU on Business Faculty premises.

The fair is open to visitors between 9:30am and 5pm without any entry fee.

"I hope the fair will enrich students' knowledge about the challenges in job market," Dhaka University Vice-chancellor Professor SMA Faiz told the inaugural session of the fair.

He also thanked the organisers for arranging such an event.

President of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Mir Nasir Hossain said the fair will help students get a clear idea about the rapidly changing job market.

Radio Today, Bangla Vision and The Daily Star are media partners of the fair while Maersk, a shipping company, is co sponsor of the programme.

A total of 12 corporate houses, which have set up their stalls in the fair, are receiving CVs from students.

The CityCell, British American Tobacco, Nestle, Unilever Bangladesh, Maersk, ACI, Ceylon Bank, Fedex, Incepta, Holcim, Mirpur Ceramic and Roxy Paint are participating in the fair.

Four separate seminars on leadership, marketing, managing career and team orientation verses individualism will be held today on the sidelines of the fair.

Serajul Islam, dean of Faculty of Busiesss Studies of DU, Professor Haripada Bhattacharjee, chairman and placement director of Marketing Department, among others, were present at the inaugural function.

50 YEARS IN BANGLADESH

Siemens' annual awards for students

STAR BUSINESS REPORT

Germany-based electronics and electrical engineering giant Siemens yesterday announced annual awards for university-level students in Bangladesh to mark the company's 50 years of operations in the country.

The awards will be given once a year to three best groups of university students for their outstanding contribution or innovation in electrical and electronics.

A panel of judges comprising technical university teachers and Siemens management will evaluate the concept papers and finalise projects.

Prof Dr Klaus Wucherer, head of Asia-Australia operations and member of the Siemens AG corporate executive committee, announced the award programme -- Werner Von Siemens Excellence Award -- at a press conference in Dhaka.

The Siemens high official also vowed to continue its business in Bangladesh to offer technological solutions to specially transportation, power, medical and industrial sectors.

Wucherer said Siemens spends nearly 6 billion euros a year on research and development.

"And this support may also be extended to Bangladesh for the development of research and development," he said, adding, "I believe the students who will participate in the Siemens award competition will be encouraged to do their innovative work in a better way. Siemens will support them in their socially responsible role as young scientists."

Wucherer, who arrived in Dhaka yesterday on a one day visit, also said, "We have tremendous faith in the country's potential for further development and we are confident that we can provide various technological solutions for Bangladesh in its

modernisation efforts."

With an annual business volume of approximately 153 million euros and a workforce of more than 200 employees, Siemens is the largest German investment company in Bangladesh.

Founded 160 years ago, the company focuses on the areas of communications system, power generation, transmission and distribution, industrial automation and control, medical solutions, transportation and automotive, water technologies, building technologies and home appliances.

Rudolf P. Klink, managing director and chief executive officer of Siemens Bangladesh Limited, also spoke.

Siemens started its journey in Bangladesh in 1956 when the company delivered the first X-ray machines in the country and also established the first telecommunications systems.

Most of the business segments of Siemens worldwide are active in Bangladesh.

Among others, Stephan Schneider, member of the corporate development strategy, Eric Klein, member of the board of Siemens Bangladesh Limited, and Salahuddin Taimur, head of corporate communications and marketing, were present.

Indian stock at record high

AFP, *Mumbai*

India's benchmark 30-share Sensex stock index crossed the key 15,000-point mark during trading Friday for the first time amid easing interest rate worries.

Dealers said buying sentiment improved on sustained interest in capital goods, engineering and software stocks against a backdrop of fast-paced economic growth in the South Asian economy.

The benchmark Sensex rose as much as 145.33 points or 0.97 percent to a new intraday record of 15,007.22 before closing at 14,964.12, up 102.23 points or 0.69 percent.

Dealers said the market's buoyancy was due in part to strong earnings data and lower inflation, which has eased interest rate hike concerns.

"We expect the markets to remain strong over the short term, probably ending the year higher than they are now," said Andrew Holland, the managing director of DSP Merrill Lynch.

"There is also a catch-up factor with global markets," he said, noting that some global markets had hit new highs in recent times.

Branding to help Bangladesh compete in Asian market

Brand guru tells The Daily Star

STAR REPORT

Martin Roll is a world-renowned thought-leader on value creation through brand equity driven by tremendous global experience and insights. Roll is chief executive officer (CEO) of VentureRepublic, a strategic advisory firm, and brings more than 15 years of management experience from the international and advertising and branding industry including DDB Needham and Bates. He facilitates business leaders and organisations to think bold for future strategies. Ahead of the Global Brand Forum, due in Singapore on August 6-7, The Daily Star, one of the media partners of the event, interviewed the Asian brand guru recently through e-mail.

Excerpts:

Is branding important for countries like Bangladesh? How?

Yes, off course. Bangladesh, along with a number of other Asian countries, has been thrown into a highly globalised market place where competitors are using every trick in the book to lure customers and book a profit. To survive in such a competitive market place, companies from emerging economies must build brands in order to create a strong differentiation in the market, attract customers with a credible value proposition and to constantly engage customers in ways that would endear them to the brand and to the company. As such, branding allows Bangladesh to create a strong corporate structure and to compete in the booming Asian market as well as globally.

Why Asia has lagged behind this trend?

There are many reasons why Asian companies have not fostered many global brands until now. Still a large part of Asia's economic development can be attributed to low-cost advantages that enabled Asian companies to gain market share from other suppliers. But Western companies, by buying some of these Asian firms or aggressively outsourcing some of their operations, are already streamlining their cost structures. Low cost alone no longer provides a significant advantage. Some of the important reasons are diversification of businesses, presence of family-owned businesses and lack of strong intellectual property rights implementation.

The diversification of businesses spanning many industries with limited overlap and synergies has been a major impediment to building brands in Asia. Another important reason for the lack of strong brands can be found in the prevalent business structure within Asia, which consists of many small and often family-owned businesses.

The implications of intellectual property protection in Asia have been a major barrier to building brands. In their own backyards, many Asian companies have faced rampant counterfeiting and infringement of IP rights.

Where would you rate Asia in building world class brands?

Due to many inherent reasons discussed earlier, Asia has been slow in developing world class brands. But the situation is changing very fast. Given the evolving nature of the market place and the relevance and dynamism of branding, Asia is still in the developing stage in the branding chain.

What are the areas a company should focus to build a brand building culture?

A strong brand is characterised by a unique brand promise (the customer focus) and an outstanding brand delivery (the organisational system and performance behind the promise). The brand promise and the brand delivery must be consistently balanced in order to build and sustain strong brand equity. The modern brand-driven organisation is characterised by three distinct characteristics which set it apart from less brand-focused organisations. These characteristics are: right boardroom mindset toward and beliefs about branding, right skill sets to build and manage brands and right allocation of organizational and financial resources to achieve various business objectives and build sustainable brand equity.

Do you feel a company's top management and especially CEO should be directly involved in building a brand? Why?

Branding as discipline has evolved over the last couple of decades from being just an addendum to advertising campaigns, fancy ideas of the marketing department, optional function of the elite few to finally being recognized as a boardroom discipline which contributes to the top and bottom line of the company and aid in enhancing shareholder value by immensely by contributing to the market capitalisation of the company.

It has been proved that over 70 percent of the market capitalisation of companies listed on the NASDAQ is contributed by the intangibles of which brand equity is the important element. Moreover, branding must enable channeling internal communications, aligning internal stakeholders around the brand mission and fueling innovation to stay on the cutting edge.

For branding to play a pivotal role in the company, it has to have a strong support from the CEO and corporate management.

Martin Roll

How can companies in Bangladesh, where companies are still largely driven by commodity mindset, evolve to become brand savvy?

Branding is as much a corporate philosophy as it is a strategic, organisation-wide discipline. As such, the involvement of the company's top management in establishing a brand is highly important. Building a brand starts at the boardroom, with a firm commitment from the board and the CEO of the company. Building a brand involves proper and continuous allocation of financial, managerial and marketing resources. Brands evolve from a good blend of integration between the brand strategy and the overall corporate strategy of the company.

The following ten steps can guide companies to effectively build brands that would resonate with customers and other stakeholders alike: (a) The CEO needs to lead the brand strategy work, (b) build your own model as not every model suits all, (c) involve your stakeholders including the customers, (d) advance the corporate vision, (e) exploit new technology, (f) empower people to become brand ambassadors, (g) create the right delivery system, (h) communicate, (i) measure the brand performance and (j) adjust relentlessly and be ready to raise your own bar all the times.

How important brands are for SMEs (small and medium enterprises)?

SMEs are in no way different from large corporations with respect to branding. Branding offers corporations (big and small alike) a definite source of sustainable competitive advantage. Further, branding (when practiced the right way) offers companies multiple avenues to engage customers in order to enhance the ultimate goal of marketing gaining long term customer loyalty. As discussed earlier, branding allows companies a sure way to enhance both the top and bottom lines. Therefore, branding is certainly very important for SMEs.

How important is it from a nation's perspective that its companies have the wherewithal to build enduring brands?

Branding is as much being used by companies as is being used by countries themselves. The country from which a company (product/service/brand) originates, has an effect on the company's perceived quality and likeability in the minds of consumers this is called the country of origin (COO) effect. The COO effect becomes extremely important for companies as they venture beyond their domestic markets. German engineering, French wine, Swiss watches, Japanese electronics, 100 percent pure New Zealand, and Malaysia-truly Asia are few known examples of such COO effect. It has been proven in academic research that COO effect does have an influence on customers' perceptions towards products/services/brands.

What can government do to facilitate in the process?

For branding to thrive, one of the essential requirements is an effective implementation of Intellectual Property Rights (IPR) laws. Given the huge counterfeit market for global brands in many Asian markets (especially in China), brands cannot survive in the absence of strong IPR laws. Government can and should play a fundamental role in ensuring that the IPR laws of the land are strong and are implemented right. Such a role would be instrumental in ensuring that companies invest in building brands.

PHOTO: STAR

Prof Klaus Wucherer, (2-R), head of Asia-Australia operations and member of the Siemens AG corporate executive committee, speaks at a press conference in Dhaka yesterday. Rudolf P Klink, managing director and chief executive officer of Siemens Bangladesh Ltd, is also seen.