

## Credit outstrips deposit

Bankers set to discuss the issue today

REJAUL KARIM BYRON and SOHEL PARVEZ

Credit growth outshone deposit growth by 3.12 percentage points in 2008 calendar year, which is risky for banks, with credit growth in many private sector banks reaching 30 to 62 percent in the same period.

In 2008, deposit growth was 19.19 percent and credit growth was 22.31 percent.

A Bangladesh Bank (BB) report said the rate of credit growth is much higher than the rate of deposit growth in some banks, which is a "matter of concern". The report also said these banks took loans continuously from the call money market that reflects poor liquidity management.

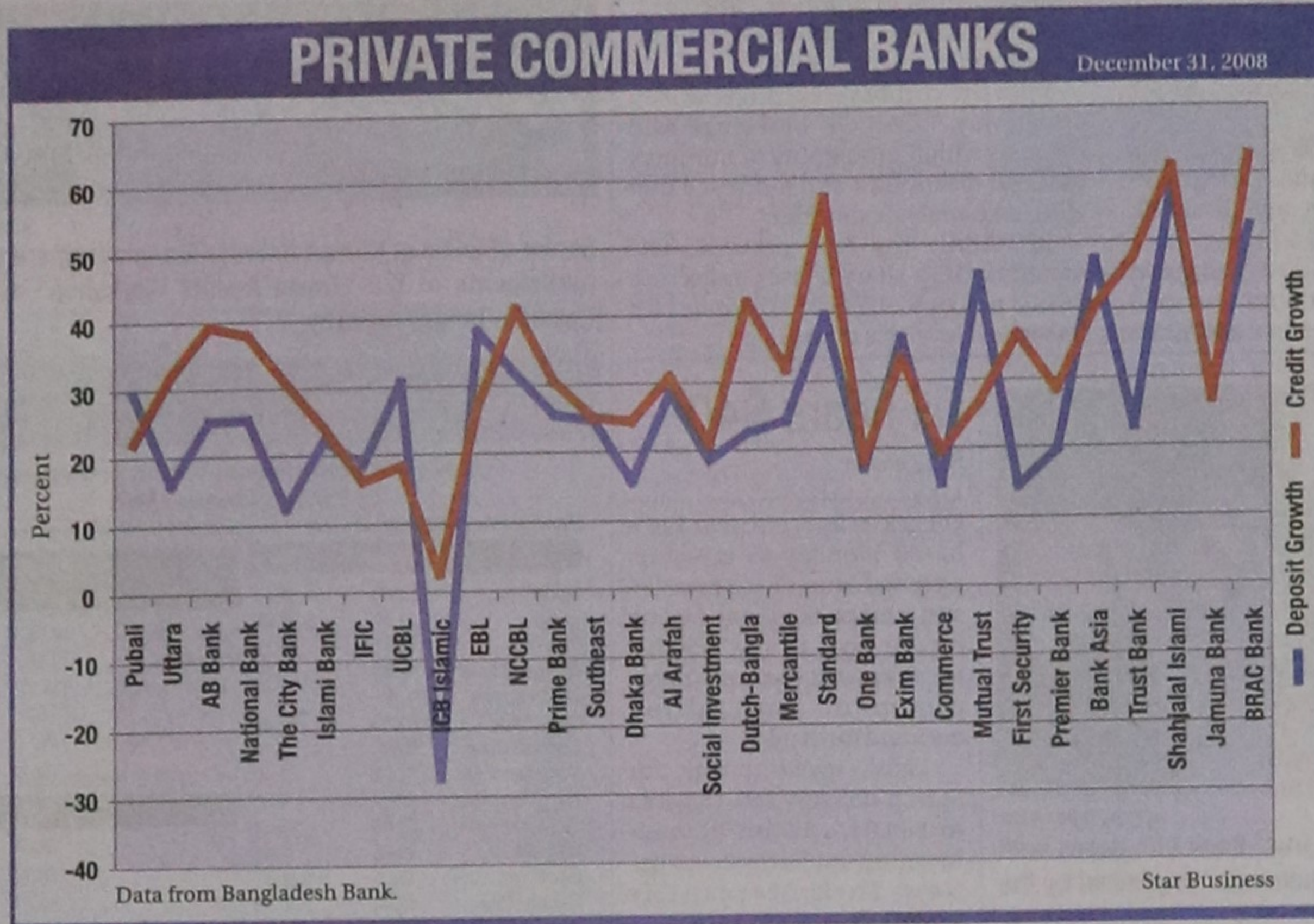
The report also said analysis of the credit growth showed that more credit went to comparatively unproductive sectors than productive ones.

A bankers' committee meeting will discuss the report today.

However about the growth of deposit, NCC Bank Managing Director Nurul Amin yesterday told The Daily Star that after cyclone Sidr in November 2007 there was a huge inflow of remittance and foreign aid. As a result, many reconstruction works were done in the country. The increase in the economic activities in the country that time is a major reason of higher credit growth.

The NCC Bank MD said: "Deposit also grew due to the increased economic activities that time. In addition, banks introduced different attractive deposit schemes to augment their deposit."

A BB high official said: "To offset the losses caused by Sidr the banks distributed a huge amount of agricultural loan, which also contributed to the credit growth." He, however, said in 2008 three crops -- Boro, Aus and Aman -- yielded bumper harvest. The prices of the



crops were also good leading to a higher consumption and increased business activities.

In 2008 remittance worth around \$9 billion came to the country, while more than \$2 billion foreign aid was received in the last fiscal year -- the highest ever in a single year.

Finance ministry sources said because of the onslaught of cyclone Sidr the donors gave more foreign aid in fiscal year 2007-08.

However central bank high officials said credit growth in some private banks was abnormal which the BB is investigating to see the status of the loans. This issue is also likely to be discussed today at the bankers' meeting, BB sources said.

The BB report compared credit statements on September 2008 and September 2007, which showed

that the total credit growth was 26.43 percent.

The comparison also showed the credit in consumer sector was 35.92 percent, in trade sector 36.23 percent and the highest 60.35 percent in transport and communications sector. On the other hand, the growth in working capital was 10.11 percent, in industries sector 23.03 percent, in construction sector 22.59 and in agriculture, forestry and fisheries sector 16.98 percent.

Deposit of four state-owned banks increased by 8.44 percent, while credit rose by 10.36 per cent last year.

Of the four state-owned banks, the deposit of one bank dropped by 2.28 percent, while credit of another bank fell by 3.79 percent.

Deposit of the 30 private commercial banks increased by 26.12

percent in 2008, and credit went up by 30.93 percent. Of the banks, 16 banks' credit rose by 31 percent to 62 percent.

Deposit of nine foreign commercial banks went up by 16.76 percent, while credit increased by 10.33 percent.

Deposit of five specialised banks augmented by 19.17 percent and credit rose by 13.75 percent in the period.

Although some banks were suffering from liquidity crisis, the excess overall liquidity in banking sector stood at Tk 20,275 crore on December 31, 2008, which was Tk 13,672 crore on December 31, 2007.

The BB report said in 2008 the credit-deposit ratio of some banks (seven) increased from 85 percent to 98 percent, which is very risky, according to bank sources.

## Remittance to figure in BB meet today

SAJJADUR RAHMAN

The central bank has given special weight to a smooth inflow of remittance and its productive uses, senior officials of Bangladesh Bank (BB) said on the eve of a high-profile meeting with bankers.

"Remittance issues will dominate tomorrow's meeting between the central bank high-ups and managing directors of different commercial banks," a senior BB official told The Daily Star yesterday.

"BB is thinking of introducing a reward system for those who send high remittances," the official said. "The use of remittance in productive sectors will also be highlighted at the meeting."

BB Governor Dr Salehuddin Ahmed will chair today's meeting to be attended by managing directors of all commercial banks.

Over the past decade, remittance flowing into Bangladesh has witnessed a phenomenal rise. Remittances have outpaced official development assistance (ODA) and foreign direct investment (FDI) inflows. The UNDP commented that it "has been causing a silent revolution in Bangladesh".

Inward remittance is also helping Bangladesh maintain the balance of payments.

But remittance in South Asia is mainly directed towards the needs of families. According to a study recently conducted by Citi NA South Asia, 66 percent of remittance in Bangladesh is used for family maintenance, 12 percent to purchase land, 14 percent to repay loans, less than 5 percent is used to invest in business and only 3 percent is saved for future.

India, Bangladesh and Sri Lanka together account for 14 percent of remittance received by all developing economies, pegged at \$265 billion in 2007, a 16 percent year-on-year growth, the study found.

According to BB data, inward remittance stood at \$865 million in January, a record inflow in a single month, despite the global economic recession that forced millions of migrant workers out of jobs around the world.

In the July-January period, the first seven months of fiscal 2008-09, remittance stood at \$5,369.98 million, a 30 percent rise from the same period of the previous fiscal year. Remittance inflows were \$7,915 million in fiscal 2007-08.

BB officials said the meeting would discuss how the country could best use remittance. "Remittance prone areas will be identified and accordingly, suggestions will be made for its better use," a BB official said.

The meeting will also discuss the liquidity position of commercial banks and the trends in credit and deposit growth.

"The problems with software export will also be discussed at the meeting," the official said. Software export is showing a declining trend.

There are some other miscellaneous issues to be discussed in today's meeting, officials added. sajjad@thedailystar.net

### Stocks

DGEN ▼ 3.00%  
2,520.22

CSCX ▼ 2.79%  
4,983.76

### Asian Markets

MUMBAI ▲ 3.04%  
9,583.89

TOKYO ▼ 1.33%  
7,969.03

SINGAPORE ▼ 1.92%  
1,682.34

SHANGHAI ▲ 1.99%  
2,224.71

### Currencies

Buy Tk Sell Tk

USD 68.40 69.40

EUR 86.86 91.48

GBP 99.16 104.11

JPY 0.74 0.78

SOURCE: STANDARD CHARTERED

### Commodities

Gold ▼ \$905.00 (per ounce)

Oil ▲ \$40.24 (per barrel)

SOURCE: AFP

(Midday Trade)

### More News

A break in the clouds



Bangladesh is still a bright place for new textile and readymade garment factories, despite a barrage of gloomy reports of the giant economies hurtling into a deeper financial crisis. Industry insiders say so. High-profile textile and RMG machinery makers feel that Bangladesh will do better in future, even in times of global recession.

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### International

Nissan to cut 20,000 jobs, forecasts big loss

Japan's Nissan Motor Co. said Monday it would cut 20,000 jobs worldwide and forecast a net loss of 265 billion yen (2.9 billion dollars) in this financial year to March due to the economic crisis.

India forecasts growth of 7.1pc for 2008-09

India's economic growth is expected to slow to 7.1 percent in the current fiscal year -- the lowest rate for six years and down from nine percent in 2007-08, according to official estimates released Monday. The estimate for the year ending March 31 was released by the Central Statistical Organisation (CSO).

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## Stock rout fuels street protests in Dhaka

STAR BUSINESS REPORT

Stocks plunged close to a two-month low yesterday as investor confidence dipped further, rattled by demonstrations and less-than-expected dividend postings by Dutch-Bangla Bank, a market bellwether.

BRAC Bank's announcement about its exit from the bid to buy a 51 percent stake in GSP Finance, a financial institution, also contributed to the fall. The bank said it failed to reach an agreement due to differences in positions.

Prices of all traded issues of nearly all sectors suffered losses as sell-offs continued for a second day of the week, sending the benchmark index DSE General Index or DGEN to the lowest level since December 18 last year.

The DGEN closed at 2520.21, down 77.83 points or 2.99 percent, from the previous day.

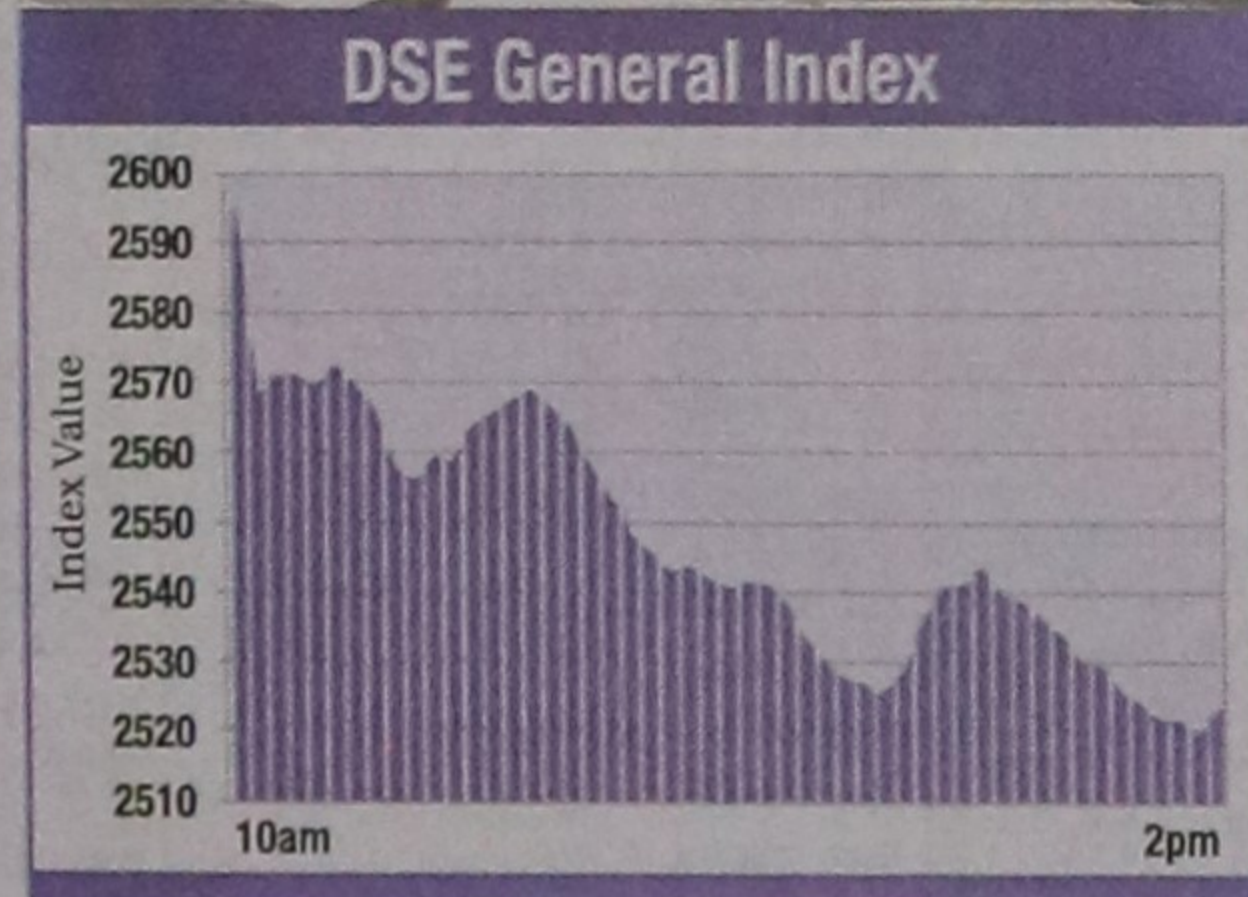
The DSE All Shares Price Index or (DSI) fell 63.98 points, or 2.96 percent, to 2096.52. The DSE-20 blue-chip index slipped 48.34 points or 2.26 percent to 2083.54.

Turnover also suffered as decliners beat gainers 209 to 47. Chittagong stocks also slumped in the day's trade.

"The banking sector, particularly Dutch Bangla Bank, was largely responsible for today's massive loss," said a daily market analysis by Equity Partners Ltd, referring to "lower-than-expected dividend postings by the bank."

Dutch-Bangla dived 16.89 percent to Tk 2914.75 after it announced a 50 percent stock dividend for 2008. The bank announced four bonus shares against one existing share in 2007.

The EPL also observed that the news about BRAC



Bank's withdrawal from the bid to acquire a majority stake in GSP Finance also had a 'negative impact' on the bank's share prices.

BRAC Bank fell 5.11 percent to Tk 630.75. Shariful Islam, chief operating officer of Dhaka Stock Exchange, linked the slump to declarations by Dutch-Bangla Bank and BRAC Bank.

"Maybe it's because of less-than-expected dividend postings by DBBL," he said.

The market started falling just after the beginning of morning trade, prompting a section of jittery investors to take to the streets. They expected a massive fall.

Investors brought out a rally with slogans against regulators and Finance Minister AMA Muhith.

Promises by the minister to prop up the market failed to impress investors.

"The market became jittery with the continuous fall and consequent frustration among investors," said Yawer Sayeed, who helps manage funds for AIMS of Bangladesh.

"We have taken a cautious approach considering the recent volatility," he said.

Sayeed however was not quite sure of what the less-than-expected dividend meant to investors.

"I am not very sure about it. However I would say it is rather the other way around as a section of investors may not feel comfortable with the dilution of shareholdings and consequent impact on earnings per share," he said.

## SingTel widens losses

STAR BUSINESS REPORT

Singapore-based SingTel continued to incur a \$5.35 million (\$8 million) loss by the end of the second quarter, a 33 percent rise from the same period a year earlier. The loss was blamed on an expensive subscriber acquisition.

"The group's loss in the second quarter was \$8 million, 33 percent higher attributable to higher selling expenses and subscriber acquisition costs," said the company's half yearly financial result ended September 2008.

In June 2005, Singapore Telecommunications Ltd or SingTel bought for \$118 million a 45 percent stake in Bangladesh's then third largest cellular operator, Pacific Bangladesh Telecom Limited (PBT), which operates the CityCell brand.

SingTel is yet to make any profit since its arrival in Bangladesh. In 2006, SingTel's loss was \$5 million, which increased to \$28 million and \$38 million in 2007 and 2008 respectively.

Among Bangladesh's six mobile operators, CityCell is the oldest and lone mobile phone operator run by CDMA (code division multiple access) technology.

CityCell had a customer base of 1.7 million as of September 30, 2008, an increase of 32 percent or 425,000 from a year ago.

Grameenphone is the market leader with around 20.99 million subscribers, while Orascom Telecom Bangladesh, which operates Banglalink, is the second with around 10.33 million subscribers.

Telecom Malaysia International

Bangladesh, which operates AKTEL, and Warid Telecom International are the third and fourth market players with around 8.20 million and around 2.33 million subscribers respectively.

SingTel on Monday reported a 35 percent increase in regional mobile subscribers despite the stiff competition and global economic crisis.

The Singaporean company's combined regional mobile customer base reached 232 million on December 31.

On a quarterly basis, the increase was 7.3 percent or 16 million customers, it said.

All six of the company's regional mobile associates posted double-digit customer growth, ranging from 13 to 55 percent, compared with a year earlier, SingTel said.

## Bonuses under fire

AFP, London

British Prime Minister Gordon Brown called time on the "bonus culture" for bankers on Monday as the economic crisis deepened further with auto giant Nissan saying it is to cut 20,000 jobs worldwide.

As US President Barack Obama warned of "catastrophe" without immediate action while the Senate debated his \$800 billion stimulus package, evidence of the worst downturn in decades was piling high.

France looked set to join Europe's other leading economies by entering a recession later this year with two quarters running of contraction and Germany, the world's leading exporter, reported a sharp drop in its trade surplus on flagging export performance.

South Africa's AngloPlatinum, the world's largest producer of the metal, said that it would shed 10,000 jobs this year because of lower prices and sagging demand from automakers, which use platinum for catalytic converters.

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