

Stocks

DGEN ▼ 0.67%
2,503.21

CSCX ▼ 0.24%
4,971.70

Asian Markets

MUMBAI ▲ 0.66%
9,647.47

TOKYO ▼ 0.29%
7,945.94

SINGAPORE ▲ 1.25%
1,703.29

SHANGHAI ▲ 1.82%
2,265.16

Currencies

	Buy Tk	Sell Tk
USD	68.40	69.40
EUR	86.01	90.64
GBP	99.55	104.52
JPY	0.74	0.79

SOURCE: STANDARD CHARTERED

Commodities

Gold ▼ \$895.50
(per ounce)

Oil ▼ \$39.80
(per barrel)

SOURCE: AFP

(Midday Trade)

More News

Australians urged for more investment

President Iajuddin Ahmed urged Australians to invest more in Bangladesh taking advantage of the investment-friendly atmosphere here. The call came when the newly appointed Australian high commissioner, Dr Justin Lee, presented his credentials to the President at Bangabhaban yesterday.

Desco posts Tk 100cr profit

The Dhaka Electric Supply Company Limited (Desco) has recorded more than Tk 100 crore in profit in fiscal 2007-08. In a statement, the company said it held its 12th annual general meeting at the Bashundhara Convention Centre in Dhaka yesterday. Desco paid Tk 45.88 lakh in taxes to the government in the same period, according to the press statement.

B-3

International

US readies bailout overhaul



The Obama administration, seeking to deal with the political outrage over the handling of the government's \$700 billion financial rescue programme, plans to impose tough new standards on future payments to banks. It is also greatly expanding an effort to unplug credit markets to provide loans to consumers and businesses.

B-4

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Shun risky banking: BB

Central bank plans stimulus for remitters

STAR BUSINESS REPORT

The Bangladesh Bank (BB) yesterday asked the bankers to shun risky banking, lower overall service charges and take initiative to increase remittance inflow by awarding stimulus to the expatriates.

If any bank invests more than 82 percent of its deposit, it is considered that the bank is involved in risky banking.

BB Governor Dr Salehuddin Ahmed told the bankers at a meeting to come out of conventional banking and provide service to people at all levels by including them in the mainstream banking system.

The meeting mainly discussed five issues -- credit, deposit and liquidity situation of the scheduled banks, service charges imposed by the banks against savings, comparative statements of country- and bank-wise remittance, awarding stimulus to the remitters, and cut in software and computer service export.

The central bank also expressed concern over excessive

credit growth in 2008, as deposit grew by 19.19 percent and credit by 22.31 percent in the period.

The credit-deposit ratio of seven banks increased from 85 percent to 98 percent in that year, which is very risky, the BB said.

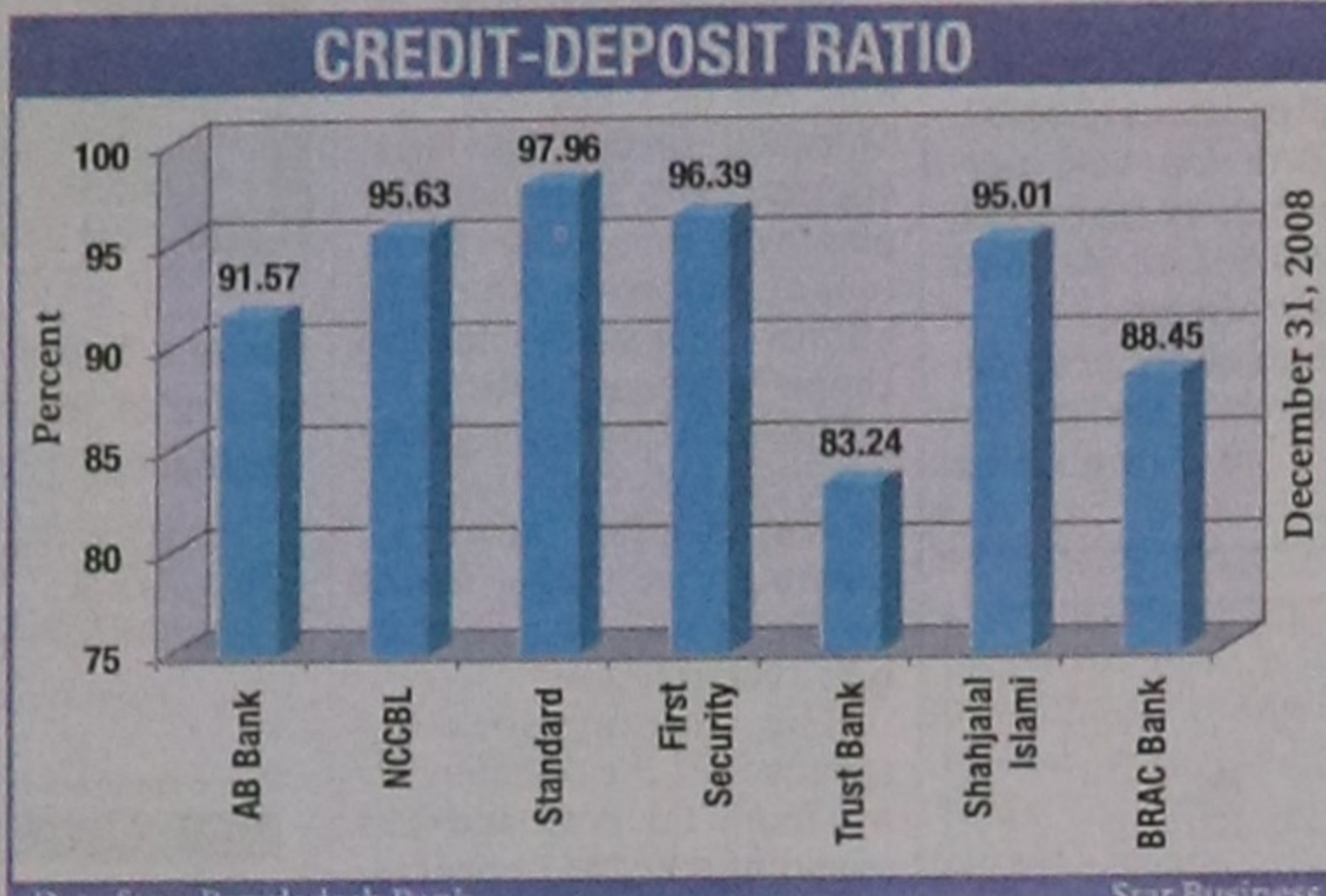
The governor asked the bankers to bring down the ratio as soon as possible.

The credit-deposit ratio of AB Bank was 91.57 percent, NCCB Bank 95.63 percent, Standard Bank 97.96 percent, First Security Bank 96.39 percent, Trust Bank 83.24 percent, Shahjalal Islami Bank 95.01 percent and of BRAC Bank 88.45 percent.

Salehuddin told reporters after the meeting that the banks were asked to increase investment in productive sectors, reduce land and consumer loans, cut interest rate and increase loan in the SME sector.

The governor also vented concern over the banks' high service charges and asked the bankers to rationalise the charge through discussion with the Association of Bankers Bangladesh.

The meeting was apprised of



Data from Bangladesh Bank

Star Business

bank- and country-wise inflow of remittance. In October 2008 remittances from Saudi Arabia, the USA, the UAE, the UK, Oman, Kuwait, Bahrain, Italy, Malaysia and Singapore dropped compared to September 2008.

The BB placed a proposal to reward the remitters and the banks were asked to give their opinions on it.

The guidelines for awarding

stimulus to the remitters and conducting the lottery process for selecting the expatriates who send money home through legal channels were prepared after discussion with number of banks.

Participation and opinions of commercial banks and their cooperation in the process are necessary as the proposal involves a good amount of money, the BB said.

The governor said the impact of global recession is yet to be felt in the remittance inflow. But it would be clear by March what impact it would have on remittance, he added.

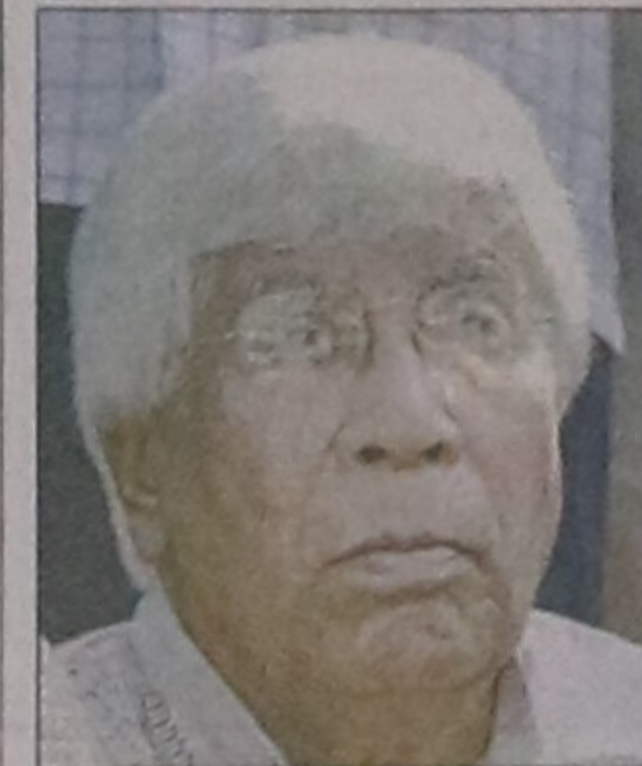
The governor also urged the bankers to work out how the small depositors can be benefited.

Association of Bankers Bangladesh President K Mahmud Sattar agreed with the central bank that credit-deposit ratio of some banks is high and it should be brought down. However he defended the credit growth and said in 2008 the commodity prices were high compared to 2007 that pushed the import prices up.

He said in 2007 credit growth slowed down but rose again in 2008 which appeared to be very high compared to the base year.

On overall service charges he said now account holders get different types of benefits against their accounts. As a result, the charges go up. He however said they would take initiative to rationalise the service charge for those customers who do not enjoy other benefits.

Privatisation Commission gets new chairman



STAR BUSINESS REPORT

Mirza Abdul Jalil, a former secretary and agriculture specialist, was appointed chairman of the Privatisation Commission yesterday.

Jalil, who will enjoy the status of a state minister as the commission chairman, is expected to take over today.

He is a member of the ruling Awami League's advisory council, and president of Bangladesh Krishak League, the commission said in a statement. His last post in civil service was at the science and technology ministry as secretary.

Twin deals open broad scope for Dhaka

Say analysts

SAJJADUR RAHMAN

Bangladesh and India signed two deals relating to trade and investment last Monday. One, bilateral investment promotion and protection agreement (Bipa), is fresh and the other is a renewal of the 1980 trade pact.

The Opposition contradicts the move on the plea that it would harm Bangladesh's interests. The ruling party thinks the deals would enhance Dhaka-Delhi trade reducing a huge gap in it that tilts heavily towards India.

What these deals contain?

Bipa is a bilateral treaty, which is defined as an agreement between two countries for the reciprocal encouragement, promotion and protection of investments in each other's territories. The main purpose of this sort of pact is to create an atmosphere conducive to fostering greater investments by the investors of a country in another country.

Bipa's salient features include national treatment for foreign investment, an MFN (most favoured nation) status, free repatriation (transfer of returns on investment), recourse to disputes resolution and nationalisation / expropriation only in public interests on a non-discriminatory basis.

"Such agreements are important for both the countries because they stimulate their business initiatives," said Dr Atiur Rahman, a renowned economist.

He said: "Bipa is just a normal framework agreement. Many countries, including the US, have signed such agreement."

India has so far signed Bipa with about 65 countries, out of which more than 50 have already come into effect. The remaining agreements are in the process of enforcement. Some others are in the pipeline for inking.

Generally, these bilateral agreements provide a



Indian External Affairs Minister Pranab Mukherjee, left, and Commerce Minister Faruk Khan sign documents to renew a bilateral deal in Dhaka on Monday.

legal basis for protecting investors' rights in the countries concerned. In other words, through such pacts the investors are assured that their invested money will be guaranteed fairly.

Meanwhile, following the renewal of the trade agreement, inked actually during President Ziaur Rahman's regime in 1980, a mixed reaction has evoked. A section of people says it would apparently pave the way for signing an Indo-Bangla transit deal.

In fact, any renewal of the agreement is a routine work, as the 13th clause of the deal obliges the parties to renew it once in every three years.

It was last renewed in March 2006, during the tenure of Begum Khaleda Zia.

The 1980 trade pact has also a clause that deals with water, rail and road transit. However, the two countries use merely the water route on a limited scale.

"If the two countries agree to implement the

scope of the deal, they can, but it needs wider discussion," said Atiur Rahman, who teaches Development Studies at the University of Dhaka.

Rahman also suggests Bangladesh study and assess the pros and cons of any possible execution of road and railway transit deal.

International trade analysts in a seminar last week also viewed that transit is a basic instrument in trade and South Asia has the potential to benefit from it, but most countries in the region lack a "true political will".

Let's see the amount of Indo-Bangla trade last fiscal.

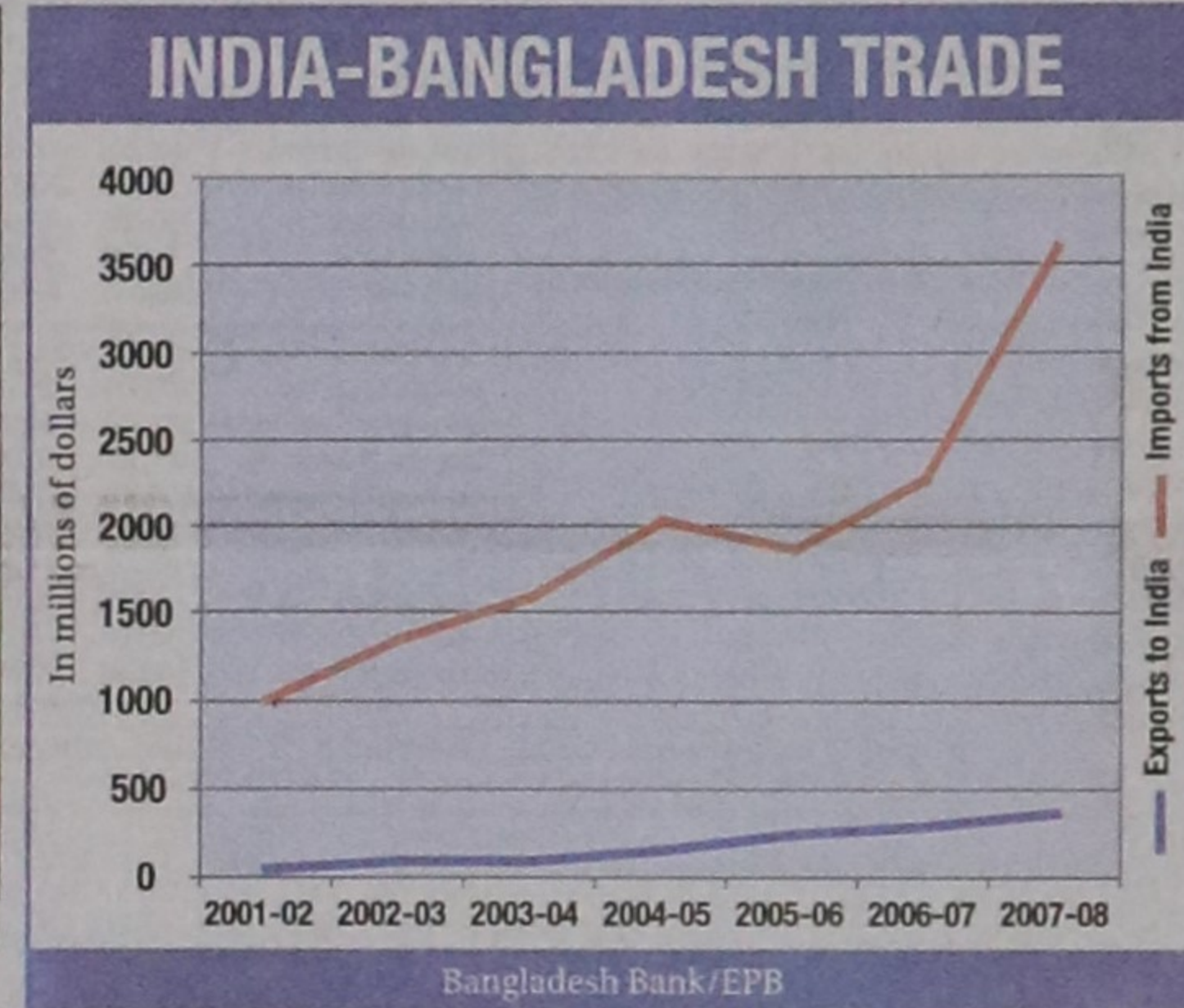
India exported over \$3.6 billion worth of goods to Bangladesh in FY 2007-08, which was just \$1 billion in 2001-02.

On the contrary, Bangladesh's export stood at \$350 million in 2007-08 from \$50 million in 2001-02. "I am aware of the trade imbalance. Every time we

discuss, we try to explore possibilities as to how the gap can be reduced. Surely what is possible is to reduce the gap and keep it within a manageable limit," Pranab Mukherjee, the Indian foreign minister told reporters during his press meet after signing the deals.

India's bid to reduce the widening trade gap with Bangladesh is said to be reflected in some initiatives taken by Delhi, which include yearly zero tariff facility for Bangladesh's 8 million pieces of readymade garments and the withdrawal of its embargo on Bangladesh's entrepreneurs' investment in the neighbouring country.

Although India has provided duty-free access to several items and is pruning the sensitive list for promoting exports from Bangladesh to India, it is not benefiting the country because, analysts say, Bangladesh has a very few products to export to India, Asia's third largest economy after Japan and China. sajjad@thedailystar.net



Bangladesh Bank/EPB

Stock protests continue for second day

SEC steps in

STAR BUSINESS REPORT

Stocks slipped yesterday amid sell-offs, forcing a section of worried investors to take to the streets for a second day in Dhaka and Chittagong.

The Securities and Exchange Commission (SEC) decided to act after the investors sought regulatory intervention to ease market jitters.

The regulator said it would take up a series of measures to stabilise the market, which has been wobbling for more than five weeks.

Measures will include increasing brokers' or dealers' credit extension facility to the 1:1 ratio from the present 1:0.67, which means brokers would be able to sanction loans equivalent to deposits.

The SEC hoped that the move might infuse liquidity due to an increased credit flow and help many investors, whose funds dried up in the earlier fall.

"We expect that it will enhance liquidity in the market," said Farhad Ahmed, executive director



Investors shout slogans in a street protest in Chittagong after shares plunged on the port-city bourse yesterday.

of SEC, after a meeting with the Dhaka Stock Exchange (DSE) authorities.

Starting upbeat, the market lost 48 points within the first-half of morning trade, which prompted street demonstrations from investors.

The benchmark DSE General Index fell 17.00 points, or 0.67 percent, to 2503. The DSE All Shares Price Index, DSI, lost 11.99 points, or 0.57 percent, to reach 2084.52. The DSE-20 blue-chip index dipped 13.41 points, or 0.64 percent, to 2070.13.

Chittagong stocks also declined.

Dutch-Bangla Bank and BRAC Bank topped the pack

of banks that lost. Mutual funds also ended lower, led by Grameen Scheme Two. Non-bank financial institutions, power, pharmaceuticals and cement scrips ended mixed.

Turnover on the DSE however rose, led by three Beximco Group issues: Beximco, Shinepukur Ceramic and Beximco Pharma.

The SEC and DSE meeting also decided to open another counter for trade of shares of non-performing 'Z' group companies to discourage investors from taking part in the trade of those shares.

It will include the shares of those companies who are

out of operations and whose net asset values are negative.

"The trade of junk shares will be segregated from the main market and DSE will open another window for the shares," said the SEC official.

The SEC also said it would propose Bangladesh Bank to increase the brokers' borrowing limits from banks.

"We will recommend Bangladesh Bank brokers to seek a rise in loan limits, against the value of their membership," said Ahmed.

At present, each broker can avail bank financing up to Tk 1 crore against his membership at the DSE.

But brokers argued that the value of each of their membership was not below Tk 15 crore.

"If our limit is increased, we will be able to take part in the market with more liquidity," said a senior official of a brokerage house.

The SEC also said it would expedite the process of awarding merchant banking licences to banks and financial institutions, to ensure increased participation in trade. Many of them have remained on the sidelines amid volatility.

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