

DHAKA THURSDAY APRIL 16, 2009

## Stocks

DGEN ▲ 2.92%  
2,539.47

CSCX ▲ 2.72%  
5,251.32

## Asian Markets

MUMBAI ▲ 2.90%  
11,284.73

TOKYO ▼ 1.13%  
8,742.96

SINGAPORE ▲ 0.47%  
1,905.99

SHANGHAI ▲ 0.35%  
2,536.06

## Currencies

Buy Tk Sell Tk  
USD 68.45 69.45

EUR 88.93 93.65

GBP 100.01 105.38

JPY 0.68 0.75

SOURCE STANDARD CHARTERED BANK

## Commodities

Gold ▲ \$890.72  
(per ounce)

Oil ▲ \$50.09  
(per barrel)

SOURCE AFP  
(Midday Trade)

## More News

Merger shores up  
businesses



Although merger among bank and non-bank financial institutions in the US, Europe and Asian giants China and India appears to be inevitable for betterment, this concept is yet to get momentum in Bangladesh, says Anis A Khan, managing director of Mutual Trust Bank. B-4

## International

Malaysia Airlines offers  
low fares to fuel business

Malaysia Airlines on Wednesday announced ticket price discounts of up to 80 percent in a bid to boost passenger traffic amid the global economic downturn. The move came after the national carrier saw 2008 profit plummet 71 percent and slashed fuel surcharges on its domestic and international flights in January to boost sales. 5

## eBay to spin off Skype next year

Online auction giant eBay announced plans on Tuesday to spin off Web communications service Skype with an initial public offering next year, ending the troubled relationship between the two firms. The San Jose, California-based eBay, in a statement, said it expected the IPO for Skype to be completed in the first half of 2010. It said the specific timing would depend on market conditions. B-4

## Contact Us

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

# Banks go SME-focused

SAJJADUR RAHMAN

The banking industry has increased focus on loans to small and medium enterprises (SMEs), which have been remained ignored for years despite the sector's huge contribution to the economy, as banks would set up 139 SME service centres by this year.

Bankers believe the move would help banks cope with the declining demand from big corporate clients mainly due to the global financial turmoil.

Besides four state-owned commercial banks, nearly half a dozen private banks have planned to boost lending to the SMEs this year through setting up separate divisions, officials said.

These private banks are Prime, The City, Eastern, United Commercial and Pubali banks. BRAC Bank is the pioneer and by far the market leader in SME lending in the country.

"Prime Bank has decided to develop a quality and dedicated team this year to serve the SME clients," said the bank's Managing Director M Ehsanul Haque.

Prime Bank has planned to more than double its SME loan portfolio to Tk 1,000 crore this year from around Tk 400 crore in 2008.

"SME financing can give a thrust to the banks at the moment when there is a declining demand from big investors," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

United Commercial Bank is also

considering setting up a separate division for SME credit.

Officials said other banks including AB, Bank Asia, Dhaka, Dutch-Bangla, Islami, National and Standard banks would also boost SME credit this year.

Bangladesh's banking industry has long been ignoring the much-needed credit to the SMEs despite the sector's enormous contribution to the national economy. Data show that industrial sector contributed around one-fourth of the country's gross domestic product worth \$80 billion. Of the industrial contribution, SMEs alone account for around 90 percent.

Banks disregarded lending to the SMEs terming it an informal sector that is even unable to maintain the books of account. Higher management cost and risk have also discouraged the banks not to lend to the SMEs.

But the global financial crisis and its impacts on the local economy have made the banking industry think about giving large loans.

"SMEs are the future of Bangladesh. Although there is a high risk there, the return is better than other areas," said AEA Muhamaimen, managing director of BRAC Bank that has lent nearly Tk 8,000 crore to the SMEs since its inception in 2001.

The bankers however said the lending rate for SMEs must be higher than the corporate ones.

"Lending to SMEs at 10-12 percent is not viable," the Prime Bank boss said.

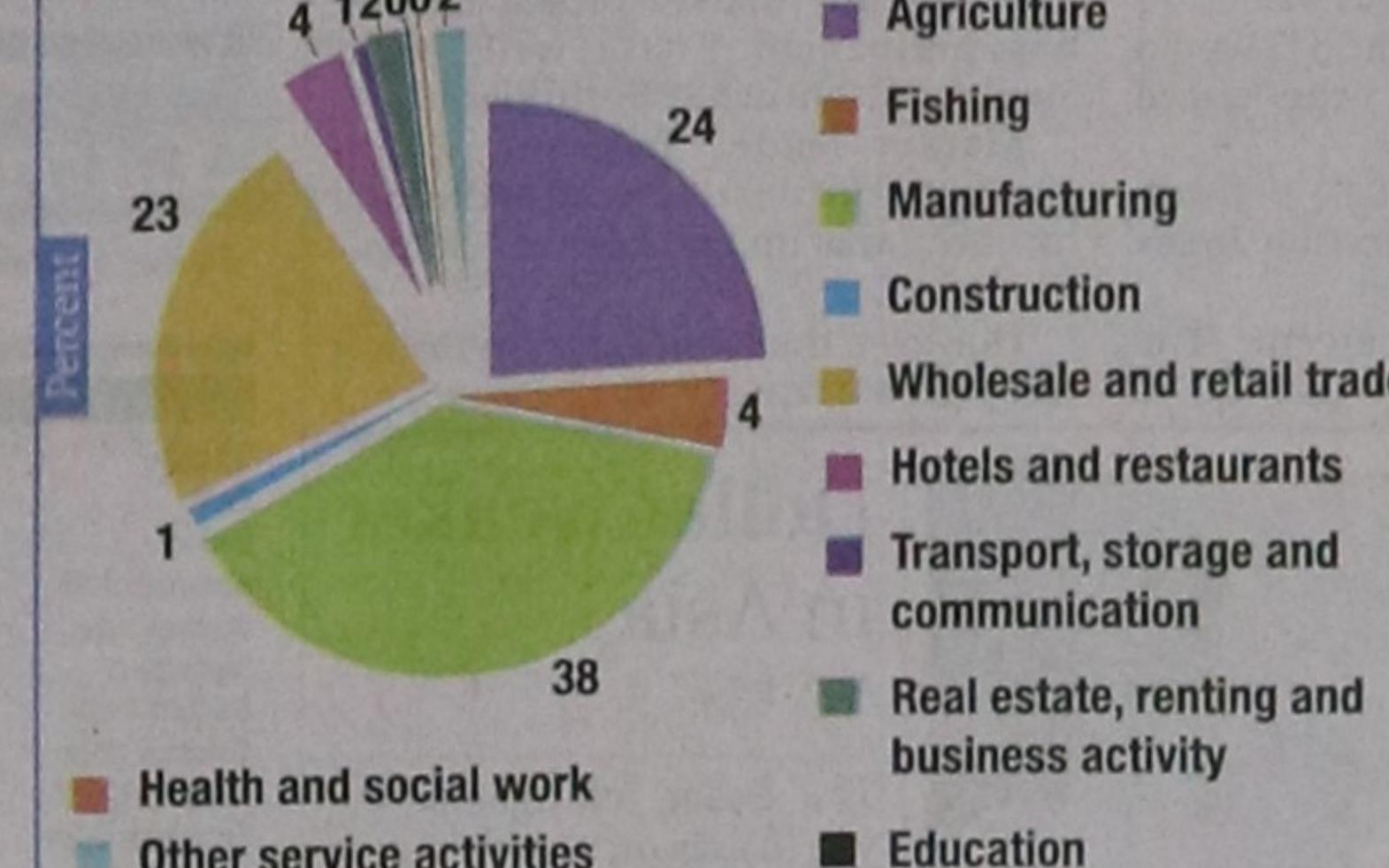
On an average BRAC Bank lends some 8,000 SME customers annually.

"Over 90 percent of our SME loans are collateral-free. We cannot take the risk at 13 percent," said AEA Muhamaimen.

The Bangladesh Bank (BB) has recently made a highest limit of lending rate at 13 percent to help businesses survive following the impacts of the global financial crisis.

"SME loan is predominantly supervisory credit and requires more manpower to conduct supervision, monitoring and recovery works," Helal Ahmed Chowdhury

## Sectoral contribution to GDP by SMEs



said.

Meanwhile, the BB has approved opening of 139 SME service centres by the banking sector in 2009. Last year some 88 centres were opened by different banks to help the SMEs with easy disbursement, recovery of loan and quicker delivery of remittances.

The BB also launched an SME Refinancing Scheme worth Tk 100 crore in 2004. In 2008-09 fiscal year, the fund was increased to Tk 500 crore to help the sector, which contributes more to employment generation.

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# NBFIs now entitled to foreign loans

REJAUL KARIM BYRON

Non-bank financial institutions (NBFIs) can now take foreign loans only for funding manufacturing and infrastructure (except housing) sectors, the central bank said.

The Bangladesh Bank (BB) in a circular issued yesterday however imposed a set of seven conditions on the NBFIs for receiving such loans and asked them to comply with those.

The financial institutions will have to submit a copy of the draft credit agreement while applying to the BB for approval of the foreign loan. Exact interest rate, payment schedule, rate of down payment and all other fees and expenses will have to be mentioned along with the application.

The loan taken in foreign currency will have to be kept in a bank and then disbursed in local currency, according to BB regulations.

The time frame for repayment including the grace period will be minimum five years.

The BB will have to be apprised of the cause of taking loan, loan-equity ratio, and the mode of repayment.

It has to be ensured that the rate of interest of a financial institution is competitive with the rate of other such borrowers.

The BB said it has been observed that different NBFIs failing to collect loan from local sources applied to the BB to allow them to take loan from foreign sources.

A BB official said: "As the capital account is not convertible in our country for taking loan from foreign sources it has to be approved by the central bank or the government committee on hard term loans."

Strict conditions have been imposed in case of taking such loans against the backdrop of the financial crisis in the developed world, the BB official said.

# Infosys profit jumps 29pc but warns of slowdown

AP, New Delhi

India's Infosys Technologies Ltd said yesterday fourth quarter profit jumped 29 percent but warned revenue growth will slow sharply this year as customers hit by the global recession demand lower prices for information technology services.

Infosys earned 16.1 billion rupees, (\$322 million) in net profit for the three months ended March 31, up from 12.5 billion rupees a year earlier, it said in a statement.

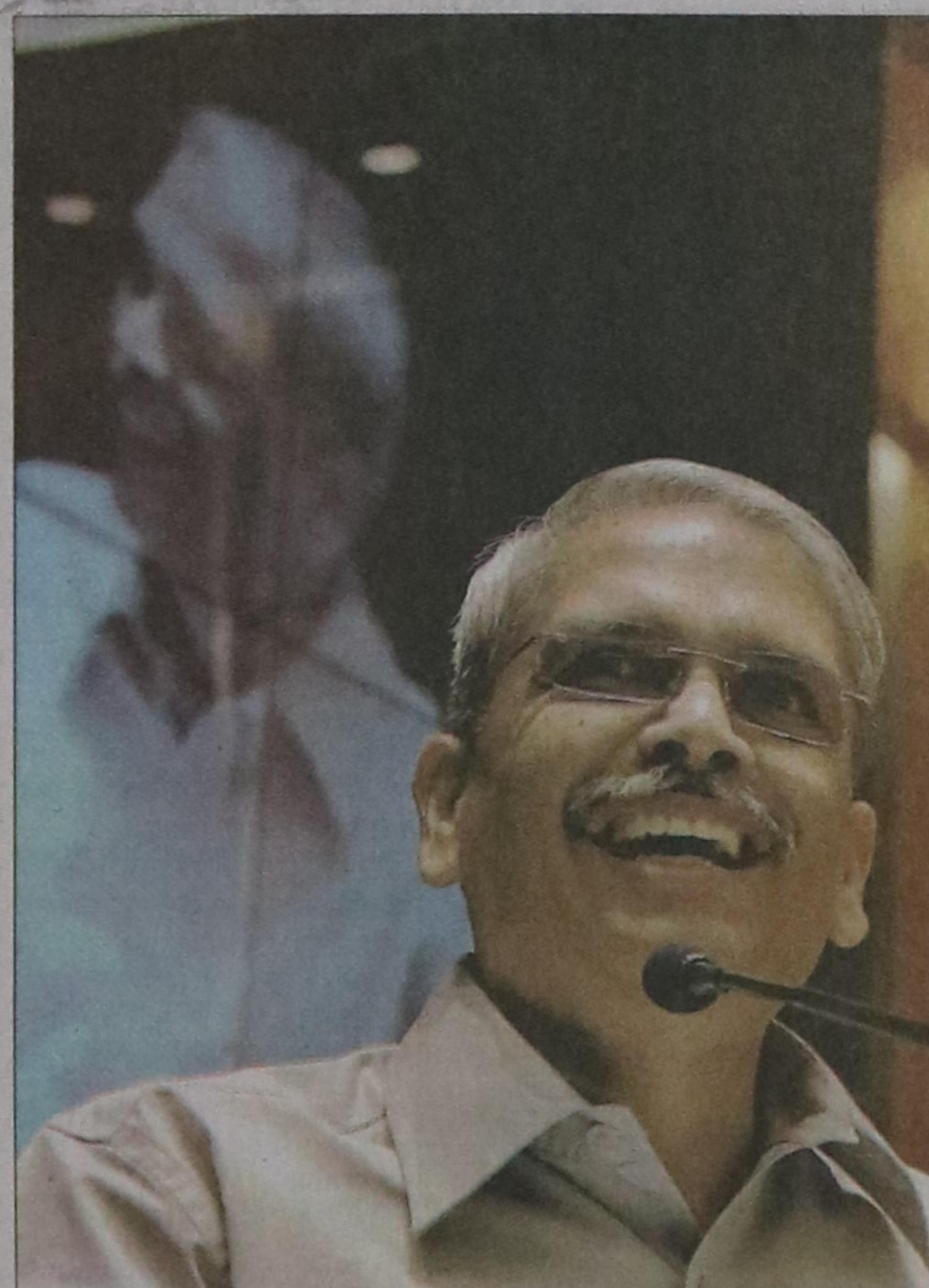
But the company scaled back expectations for 2009 due to the global economic slowdown. Infosys said it expected revenue to grow between 1.7 percent and 5.7 percent in the current fiscal year compared with 30 percent in the just ended year. Revenue in US dollar terms was forecast to fall between 3.1 percent and 6.7 percent.

"Many of our clients are impacted by the financial crisis and are looking to us to help them reduce their expenses and optimise their businesses," said Infosys CEO and Managing Director S Gopalakrishnan.

The collapse of Wall Street firms and the US recession has analysts worried about the effect on the Indian outsourcing industry, for which the US is its biggest market.

The IT company said it added 37 new clients during the quarter, and hired 4,935 new employees. Infosys and its subsidiaries had 104,850 employees as of March 31.

Infosys' share price on the Bombay Stock Exchange fell 5 percent to 1,336 rupees.



Chief Executive Officer of Infosys Technologies Kris Gopalakrishnan

AFP

## CEOs agree on deposit rate cuts

STAR BUSINESS REPORT

The chief executive officers (CEOs) of private commercial banks yesterday agreed to cut deposit rates in a move to implement the central bank's decision to limit the lending rate at 13 percent.

"We will reset the deposit rates after Bangladesh Bank issues a circular on the lending rate cuts," Mahmud Sattar, president of the Association of Bankers Bangladesh (ABB), told The Daily Star after a meeting of the CEOs at Dhaka Club.

"We did not form any cartel on fixing the deposit rates," he said. "It may be that banks will charge different rates as they do now."

The ABB, a platform of private bank CEOs, also discussed how they would tackle the situation after implementing the BB instruction.

"On an average, a bank will lose Tk 60-70 crore this year by implementing the BB decision," said Sattar, also CEO of The City Bank.

Currently, most private banks offer an interest rate of up to 13.5 percent for fixed deposits, which account for 40 percent of total deposits.

The ABB will meet again to discuss the issue further.

# Stocks soar



STAR BUSINESS REPORT

Dhaka stocks continued to rally for a third day with indices jumping around 3 percent yesterday, led by bank shares.

The benchmark index of Dhaka Stock Exchange, DSE General Index, went up 72.07 points, or 2.92 percent, to 2,539.46. The DSE All Share Price Index also shot up by 55.58 points, or 2.7 percent, to 2,107.66.

"The bank stocks are on the upward curve after passing a long sluggish spell," said a DSE broker.

The bullish trend in the banking sector has increased investor confidence, he said.

Bank stocks continued an impressive rally, which started on Sunday, according to a daily market analysis by Equity Partners Limited (EPL), an investment bank.

Most banks gained.

Rupali Bank lost 4.4 percent.

Other bigger and more fundamentally strong sectors also gained, contributing to yesterday's jump.

The advancers beat the losers 165 to 70. Three securities however remained unchanged. A total of 2,02,12,949 shares worth Tk 400.98 crore traded on the premier bourse.

Beximco topped the turnover leaders, followed by Summit Power, Uttara Bank, AB Bank, Islami Bank, Dutch-Bangla Bank, Eastern Bank and EXIM Bank each gained more than 5 percent.

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Chittagong stocks soared yesterday. The CSE Selective Categories Index jumped 139.01 points, or 2.71 percent, to 5,251.32. The CSE All Share Price Index shot up by 193 points, or 2.44 percent, to 8,086.18.

AB Bank topped the turnover leaders on the port city bourse, with 1,08,895 shares worth Tk 7.09 crore traded.

# BTRC to prioritise tech expansion over revenue

STAR BUSINESS REPORT

The telecom watchdog will now focus more on extending information and communication sector rather than putting an extra effort to bag handsome revenues every year.

Bangladesh Telecommunication Regulatory Commission (BTRC) has also planned to bring changes to the policies, formulated earlier, if it finds that any of those policies are helping market monopoly.

"I don't think an extra effort is needed to earn revenue. I believe, if we work for extending technologies to the mass, revenue will shoot up naturally," Zia Ahmed, the newly appointed BTRC chairman, said yesterday at a press meet.

The revenue of BTRC in financial year 2007-08 was almost 485 times

higher than the revenue (Tk 3.45 crore) at the time of its formation in 2001. Its revenue in fiscal year 2007-08 was Tk 1,677.85 crore, also three times higher than earlier year's Tk 565.61 crore.

Ahmed said the commission has so far earned Tk 2,200 crore and is hopeful about reaching the target of Tk 2,500 crore set for the current fiscal year.

The higher revenue earnings in fiscal year 2007-08 were silently criticised by the market operators because of the commission's