Star Business

DHAKA FRIDAY FEBRUARY 19, 2010

Stocks

DGEN	▼ 1.15%	5,760.94
CSCX	▼ 1.36%	10,934.96

Asian Markets

MUMBAI	▼ 0.62%	16,327.84
TOKYO	▲ 0.28%	10,335.69
SINGAPORE	▼ 0.89%	2,769.19
SHANGHAI		Closed

Currencies

	Buy Tk	Sell Tk
USD	68.70	69.70
EUR	91.88	96.02
GBP	106.20	110.55
JPY	0.74	0.79

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	$1,103.55 (per ounce)
Oil	▼	$76.94 (per barrel)

SOURCE: AFP (Midday Trade)

High growth in subscription of BTCL broadband internet

STAR BUSINESS REPORT

The introduction of new high speed broadband internet packages through asymmetric digital subscriber line (ADSL) by the state-owned Bangladesh Telecommunications Company Limited (BTCL) has paid off, as evidenced in a 158 percent rise in the subscription in December 2009 compared to a month earlier.

Such BTCL packages came into effect on December 1 to woo more customers in its network.

The new packages are competitive and cheaper than the internet services provided by the private mobile phone and Wimax operators.

According to the official estimate, BTCL provided 179 new connections in December, while the figure was 69 in November.

Moreover, in January alone, such connections reached 210.

"Although the monthly connection rate is still far below the expectation the 158 percent increase in a single month clearly manifests the positive effect of the new tariff, the lowest in the broadband internet market," said a BTCL high official.

He, however, suggested a cut in the initial payments a new customer has to make while installing the service, which could raise the number of such connections manifold.

Currently, Dhaka, Chittagong and Khulna customers have access to the BTCL's full capacity of ADSL connections. Very soon this service will be widened to the Comilla and Rajshahi users.

In volume-based category, BTCL introduced BCube supersaver with 128kbps download capacity at Tk 300 per month with 2GB free monthly download.

Its BCube Premium service with 512kbps download capacity is available at Tk 1200 per month with 8GB free download. BCube express with 1028 Kbps download speed is available at Tk 2400, with 16 GB free monthly download. For additional download a charge of 10 paisa/MB will be applicable.

AMRAN HOSSAIN

A visitor picks a cosmetics item at a stall in the three-day US trade show that began at Dhaka Sheraton Hotel yesterday. Seventy-two US companies participated in the fair. (Story on B3)

Exports drop

Jul-Dec period feels late impacts of recession

KAWSAR KHAN

Exports plummeted 6.20 percent in the first half of the current fiscal year, mainly because of the late impacts of the global financial crisis on apparels, Bangladesh's prime foreign exchange earner.

Knitwear earnings were 7.18 percent lower in the July-December period in fiscal 2009-10 than in the same period a year earlier, while exports of woven items slipped 7.95 percent, Export Promotion Bureau (EPB) data show.

The amount fetched from knit exports in the first six months of this financial year came down to $3,007.95 million from $ 3,240.63 million in the same time the previous year.

Woven garments earned $2,582.66 million, dropping from $ 2,805.75 million in the period a year ago.

Meantime, a drop in export earnings from the US, Bangladesh's largest export destination, coincides with the overall decline in such earnings. During July-December, the country's exports to US reached $ 1,719.56 million from $ 2,061.54 million last fiscal year, showing a 16.59 percent drop.

Sector people said the price-drop in the US market, a result of an economic contraction there, is the main reason behind the fall in Bangladesh exports.

However, industry insiders see a rise in exports to the US in terms of volume during the period.

Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association, said the country's export earning declined at a time when neighbouring India and China were posting export growth.

In addition to the global financial crisis, he also blamed the erratic supply of power and gas for a decline in apparel exports.

"Due to a decreased supply of power, we often fail to deliver our orders in time and sometimes, buyers also shift their orders from the country, affecting export earnings," he said, urging the government to come forward to solve this perennial problem soon.

EPB shows $ 1,172.89 million earnings from exports in December, a 1.92 percent down in a single month. This is also over 27 percent short of the strategic export target for the period.

Earnings from other major export products, such as pharmaceuticals, home textiles, leather, frozen food and footwear, also declined during the time.

On the other hand, earnings from the exports of jute goods, electronics, petroleum bi-products, raw jute and engineering products increased.

Earnings from melamine tableware, cut flower/foliage, handicrafts, computer services and terry towel increased, but the targets set for the period fall short of acheivement.

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Regulator moves to cool GP, Marico shares

STAR BUSINESS REPORT

The stockmarket regulator has placed shares of Grameenphone (GP) and Marico in the spot market from next Monday in an effort to rein in the two companies' stocks prices, which reached an abnormal high.

Share trading of the companies will continue in the spot market, instead of normal trading board, until further order, the Securities and Exchange Commission (SEC) said in a directive issued yesterday. The latest move came as the previous measures failed to control the share prices, especially of GP.

The news, posted on Dhaka Stock Exchange website yesterday morning, pulled down GP and Marico prices by more than six percent, as many investors tried to exit fearing the latest development would result in undermining the stocks value in the days ahead.

On the spot market, securities are traded for same day trading and cash settlement, without the use of a financial adjustment facility.

Experts said it would put impact in two ways. Firstly, supply of shares would increase, as shares will be ready for buy and sell in the next trading day, while shares are settled in three trading days in the normal market.

Secondly, liquidity flow to the securities would be controlled, as cash or bank draft would have to be deposited to the bourses within one hour after the trading session.

Placing the securities in the spot market is a regulatory measure to control price hike, Salahuddin Ahmed Khan, a former chief executive officer of the DSE, told The Daily Star.

He, however, said it is a temporary measure, which does not work for long, when the market is riding on a forward-looking sentiment. "Until new companies are introduced, the market cannot be controlled by taking short-term steps." Earlier in the first week this month, the SEC stopped financial adjustment or money netting facilities for GP shares and none was allowed to buy its share against value of sale of other securities within the existing settlement and clearance period.

Merchant bankers have also put the GP in the list of non-marginable securities that means investors are not allowed to seek credit to buy GP shares.

On the DSE yesterday, each GP share fell by 6.27 percent to Tk 361.20, while each Marico share went down 6.09 percent to Tk 466.90.

Loan defaults edge down at state banks

REJAUL KARIM BYRON

Loan defaults piled up in 2009, a year marked by sluggish economic activity, but state banks bucked the trend.

The state-run commercial banks saw a 7.96 percent decline in defaults in 2009, compared to a year ago.

In the same period, defaults increased by 8.38 percent at private commercial banks, 21.67 percent at foreign commercial banks and 12.81 percent at specialised banks.

Bangladesh Bank statistics show the total loan defaults remained the same in 2009 as in the previous year, helped by the declining default rate of state banks.

The total loan defaults recorded by all the 48 banks as of December 31, 2009 amounted to Tk 22,482 crore or 9.21 percent of the total outstanding loans of Tk 2,43,977 crore.

On December 31, 2008, the total defaults suffered by the banks were Tk 22,481 crore or 10.79 percent of the total outstanding loans of Tk 2,08,362 crore.

The central bank last year directed the banks to reschedule the defaulted credit of export-oriented industries without down payment because of global recession.

Also, the same opportunity was given to the businessmen affected by the anti-corruption drive during the last caretaker government regime.

Bank officials said the businessmen utilised the opportunity more from the state banks.

A Bangladesh Bank official said although the loan defaults of other banks increased to some extent in 2009, the amount is very small. The defaults at most banks were 2-3 percent of their total outstanding loans.

Classified loans in the state banks stood at Tk 11,747 crore or 21.38 percent of the outstanding loans on December 31, 2009, which was Tk 12,764 crore or 25.44 percent on December 31, 2008.

Default loans in private commercial banks added up to Tk 6,176 crore or 3.92 percent of the outstanding loans in December 2009, which was Tk 5,698 crore or 4.44 percent in December 2008.

Such loans in specialised banks stood at Tk 4,210 crore or 25.91 percent of outstanding loans in December 2009, compared to Tk 3,732 crore or 25.45 percent in December 2008.

The amount of default loans in foreign commercial banks was Tk 348 crore or 2.27 percent of the outstanding loans in December last year against Tk 286 crore or 1.90 percent in December 2008.

Committee to oversee Coca-Cola plan

STAR BUSINESS REPORT

The government yesterday formed a three-member committee to identify the ways to handle the investment proposal placed by the Coca-Cola subsidiary company -- Coca-Cola Far East Ltd -- to set up a manufacturing and bottling plant in Bangladesh.

A meeting of the cabinet committee on economic affairs took the decision, with Finance Minister AMA Muhith in the chair.

The committee headed by Prime Minister's Economic Affairs Adviser Dr Mashiur Rahman will assess how the company will deal with government shares in the new venture.

Coca-Cola recently placed the investment proposal for a joint venture with the government to set up the plant.

The company came up with the proposal as it has been showing reluctance in renewing a bottling agreement with state-run Tabani Beverage since July 2008.

Bangladesh Freedom Fighters Welfare Trust is the parent organisation of Tabani Beverage.

Banking on the page of history

Asiatic Society seminar focuses on how the sector went from strength to strength

SAJJADUR RAHMAN

It is believed that the money of Jagat Sheth together with the sword of the English brought about the fall of Nawab (emperor) Siraj-Ud-Daulah in Bengal in 1757.

In history, Jagat Seth's House is known as the kingpin of the Plassey conspiracy. What is little known is its monopoly of the mint, currency business and banking sectors of Bengal, Bihar and Orissa for over 100 years between the 18th and 19th centuries.

The house had served as the East India Company's official banker for years.

Jagat Sheth meaning 'Banker of the World' was a title conferred on Fateh Chand, a rich Marwari merchant in Bengal.

The Jagath Seth House was the most influential bank at a time when there was no formal or regular banking in the subcontinent. They had their merchant and loan offices in Dhaka, Calcutta (now Kolkata) and Murshidabad. These loan offices extended their lending activities to rural areas and gave short, medium and long-term credit at a 40-50 percent rate of interest.

In the 18th century, Subrabankis, Sahas and Basaks came to grab a share of the business and banking activity with the help of other businessmen, who were Hindus.

Modern banking evolved in Bengal during the British period. The Hindustan Bank was established in Calcutta in 1700. But the Bengal Bank, established in 1784, is considered to be the first British-patronised modern bank in India to start trading in credit and money. Also, there were loan offices in major towns in the then East Bengal.

"Although the British rules established and ran the Bank of Bengal with the local revenue, it did not lend to the businesses and the people of the Bengal," said Dr Chittabrata Palit, professor (emeritus) of history at Jadavpur University in Kolkata.

The historian is in Dhaka to attend a three-day international seminar on 'the history heritage and urban issues of capital Dhaka', as part of celebrating the completion of 400 years of capital Dhaka. Asiatic Society of Bangladesh is organising the event at the Senate Building in Dhaka University.

"Then, Daraknath Tagore came up with Union Bank to help Bengali businesses. But the bank was collapsed in 1840 due to some British companies' no return of loans that they took from the bank," said Dr Chittabrata, who has 46 publications, some of which have focused on the evolution of the banking history in Bengal.

Md Salah Uddin, assistant professor of Jagannath University, who presented a paper on 'banking in Dhaka since 1757', said Dacca Bank established in 1846 with a paid-up capital of Tk 3 lakh, was the first modern bank headquartered in Dhaka.

"Nawab Abdul Gani was one of the sponsors of the bank," he said.

During the Sawdeshi movement in the early 1900s, the Bengalis made an entrance in a big way in banking. At that time, cooperative, agriculture and commercial banking also flourished.

The banking sector was reshaped after the separation of India and Pakistan in 1947. Only a few state-owned banks had their activities in East Pakistan (now Bangladesh) with a huge concentration in Dhaka. Some Bengali entrepreneurs established the now Pubali Bank in 1959, to support their fellow businesses with loans.

The banking sector had to start a fresh journey in the war-ravaged Bangladesh after independence in 1971. The government took over all banks under a nationalisation order in 1972.

"The sector got a new and dynamic shape after the government took up the privatisation policy in 1983," said Salah Uddin. Pubali Bank and Uttara Bank were denationalised and the sector opened up to the private sector. By 1985, a dozen new banks hit the market under private ownership.

Now 48 banks operate in the country, of which, 39 are privately owned, including nine foreign banks.

Dr Robert Gallagher, a UK delegate, was amused to know that all of these banks counted profits in 2009 when big banks in his country collapsed due to the global economic meltdown.

"It is a great success. But the credit should go to the ancestors who struggled to set up a bank in the 18th century," said Salah Uddin.

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The picture shows coins of the East India Company era. Source: Commercial History of Dhaka, a DCCI publication