

star BUSINESS

Gift to Life

Money Double Scheme
Special Deposit Scheme
Special Fixed Deposit Scheme
And many more...

NCC Bank Ltd.
Where Credit and Commerce Integrates
www.nccb.com.bd

DHAKA THURSDAY MAY 5, 2011, e-mail: business@thedailystar.net

Banks' liquidity marks a rise

REJAUL KARIM BYRON

Banks' excess liquidity rose by Tk 3,000 crore within a month as they brought down their investment in the stockmarket and launched a drive to draw more deposits from clients. An increase in fund disbursement for the implementation of annual development programme (ADP) has also fuelled liquidity.

The banks had excess liquidity of Tk 27,087 crore on March 30, up from Tk 24,082 crore in February, according to the latest Bangladesh Bank (BB) statistics.

A BB official said the data for March and April are not available yet, but of late, the excess liquidity might have increased further.

As a result of the rise in excess liquidity, the rate of interest in the call money market has also marked a fall. The rate now hovers around 4 percent to 7 percent.

In December last year, the rate reached almost 34 percent.

Association of Banks Bangladesh (ABB) President K Mahmood Sattar told The Daily Star that the liquidity situation is now far better than what it was in February.

"It seems the liquidity situation has improved as the rate of interest fell in the call money market."

However, Sattar said the situation is yet to improve fully.

At present, the call money rate is between 6 percent and 7 percent, he added.

The banker said the government's spending of development fund has marked a rise, and the funds have started entering the banking system.



Besides, the banks' lending demand has been lowered and they have launched a drive to attract more deposits. These factors led to a better liquidity situation.

An official of a state-owned commercial bank said the central bank's move against the banks to cut their excessive exposure to the capital market also had an effect on improving the liquidity situation.

The banks' exposure to the stockmarket has already come down to almost half of their legal limit.

According to the Banking Companies Act, a bank can hold up to 10 percent of its liabilities (deposit) in the capital market. As per BB statistics on February 28, the total holding by the banks was 3.72 percent or Tk 15,548 crore of their liabilities.

A BB official said they are yet to receive the statistics on March 30 and onwards. But many of the banks have informed the BB verbally that their exposure to the capital market has shrunk further.

Sattar said the central bank has given different time limits to the banks for coming out of the capital market and it is hoped that the exposure will decrease further.

As a large chunk of banks' money had entered the capital market, the market saw a liquidity surge and share prices went up abnormally, which created a crisis in the money market, according to a probe committee report on the recent stockmarket debacle.

Another official of the BB said, since last year they have been monitoring the banks' exposure to the stockmarket to minimise their involvement in the share market.

Last month, the central bank governor, in a meeting with the chief executives of all commercial banks, warned that punitive measures will be taken if any bank was found excessively involved in the share market.

Due to a rise in inflation the central bank has taken tight monetary measures so that private credit growth decreases. This move also helped create excess liquidity in the banks.

In March, the amount of excess liquidity was Tk 11,212 crore in state banks, Tk 9,375 crore in private commercial banks, Tk 2,053 crore in Islamic banks and Tk 4,297 crore in foreign banks.

Call to study impact of safety net schemes

STAR BUSINESS REPORT

The government should evaluate and assess the impact of annual expenditure under the social safety net programmes to ensure transparency and accountability.

Impact assessment is also needed to measure the efficacy of the programmes that are designed to help the poor to come out of poverty.

The call came at a dialogue at the Cirdap auditorium on the allocation on safety nets and related sectors. The All-Party Parliamentary Group (APPG) on ultra poor organised the event, focusing on the upcoming budget for fiscal year 2011-12.

Lawmakers, poverty analysts and NGO representatives spoke, along with Food and Disaster Management Minister Abdur Razzaque.

"There should be an assessment of the impact of expenditure," said Saber Hossain Chowdhury, chairman of the APPG on climate change and environment.

The dialogue suggested lawmakers' participation to ensure that public expenditure reaches the beneficiaries. They also urged the government to create a centralised database of ultra poor and specific programmes for them in the budget.

They also proposed a proper selection of the poor people, to reduce pilferage; location and time specific programmes; and an integrated approach under government and non-government collaboration to free the poor from



From right, Food Minister Abdur Razzaque and Chairman of All-Party Parliamentary Group Saber Hossain Chowdhury attend a dialogue on the allocation on safety nets and related sectors at the Cirdap auditorium in Dhaka yesterday.

hunger. Participants also suggested the government remove ambiguity over the definition of poverty related expenditure.

The government currently runs 84 programmes under SSNPs by allocating Tk 19,497 crore, which represents about 2.5 percent of gross domestic product and nearly 15 percent of the national budget. Different agencies and ministries run these schemes.

Chowdhury said lawmakers should monitor these schemes to see whether the money is spent properly. Razzaque said the level of poverty

has dropped to 31.5 percent in the last decade.

"There are many aspects of poverty. If we increase allocation for education and health care, there will be a greater impact."

The minister favours integrated programmes, involving all components, to help the poor people graduate.

Lawmaker Israfil Alam, chairman of APPG, presided over the session. Lawmakers Shahriar Alam, Mustafaque Ahmed Ruhi, Zunaid Ahmed Palak and Fahmida Khatun, head of research of Centre for Policy Dialogue, also spoke.

Govt plans taskforce to fight power crisis

STAR BUSINESS REPORT

The government plans to form a taskforce comprising representatives from government and private sectors to mitigate the power crisis, said Energy Adviser Towfiq-e-Elahi Chowdhury yesterday.

Chowdhury sought opinions for the proposed taskforce from the business leaders at a seminar in Dhaka.

Power Secretary Abul Kalam Azad said, "The government is sincere enough to solve the power crisis and we have a plan to generate an additional 1,500 megawatt of electricity by the end of this year."

They spoke at a seminar on "Promoting Primary Energy Efficiency in Industries" organised by Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at its audi-

torium in Dhaka.

Azad said the government will finalise merchant power plants policy within next two weeks and provide details on it in newspapers.

As per the proposed policy, private sector entrepreneurs will have to express interest to set up a power plant, and then the government will give permission.

The power secretary said the government will purchase 30 percent of the power generated by merchant power plants at a competitive price and the private sector entrepreneurs can use the rest for their industries or sell to others on a competitive wholesale market.

He said, "We will introduce smart prepaid meter and card in a large scale to minimise system loss." At present the system loss is nearly 13 percent, which was 39 percent 20

years ago, he added.

The government will distribute an additional 1.75 crore units of CFL bulb within next three month to save power, said Azad.

Speaking as a keynote speaker Ijaz Hossain, professor of the Department of Chemical Engineering, BUET, stressed the need for efficient use of energy. He said Bangladesh is losing nearly 2.6 percent of GDP growth due to power shortage.

Shafiqul Islam Mohiuddin, president of BGMEA, said, "Garment sector needs nearly 710 megawatt electricity per day. But it gets only half of the demand."

AK Azad, president of the federation of Bangladesh Chambers of Commerce and Industry, and Abdul Aziz Khan, managing director of Titas Gas Transmission and Distribution Company, also spoke.

Remittance growth slows down

STAR BUSINESS REPORT

Remittance growth is still slow in the first 10 months of the current fiscal year with only 4.15 percent growth due to a decrease in the outflow of migrant workers in recent times.

During the same period last fiscal year, the remittance growth rate was 18 percent.

As the remittance growth fell, the current account balance also came under pressure.

During July to April period, remittance inflow was \$9.57 billion, up from \$9.19 billion in the same period of the previous financial year.

The World Bank's Bangladesh Economic

Update released Tuesday said the drop, especially in the first half of FY 2011, was caused by declining remittances from the Middle East, where most Bangladeshi migrants work.

According to the Refugee and Migratory Movement Research Unit, it usually takes a year and a half of employment for a worker to be able to remit money.

Remittance growth rates started slowing down due to a significant decrease in the net outflow of migrant workers over the past year and a half and there was a 10.9 percent drop in the number of workers going abroad in the first eight months of FY11 compared to the same period last year.

SEC appoints new member

STAR BUSINESS REPORT

The finance ministry has appointed Prof Helaluddin Nizami as member of the Securities and Exchange Commission (SEC).

He began office at SEC yesterday.

"There has to be a perfect balance between stakeholders and investors, to stabilise the capital market," said Nizami, a professor at accounting and information system department of Chittagong University.

"SEC should issue directives as per the interest of the investors to restore confidence."

As per the probe committee's recommendation to restructure SEC, the finance ministry has made the new appointment.

"The pressures of influence cannot have an impact on my work," said Nizami.

KAZI FARMS RUNS sysnova ERP

for all purchases, inventories, manufactures, sales, payroll and accounts (daily income statements and product costing). Customized from Adempire open-source ERP.

hotline : 01730016491
email : info@sysnova.com
www.sysnova.com

The Daily Star
grameenphone
VOICE NEWS SERVICE

Dial 2 2 2 2

for the latest news highlights in English

MTB CAPITAL LTD.
You can invest with us

68 Dilkusha (6th Floor) C/A, Dhaka 1000
Phone: +880 (2) 717 0138-9, Fax: +880 (2) 955 5654

A Mutual Trust Bank Company
www.mtbcap.com

FROM DHAKA TO EVERY CORNER OF THE WORLD VIA ISTANBUL

FRANCE TURKEY EGYPT GERMANY CHICAGO
SAO PAULO TORONTO
HELSINKI BRUSSELS
COPENHAGEN SWITZERLAND
UNITED KINGDOM SWEDEN
LOS ANGELES SOUTH AFRICA
WASHINGTON PRAGUE
NEW YORK WARSAW
RUSSIA ZAGREB
ITALY VIENNA SPAIN

Comfortable seats. A globally awarded cuisine. The best of in-flight entertainment. And more than 180 destinations around the world. All via Istanbul. All with the privileges of Turkish Airlines.

Globally Yours TURKISH AIRLINES

turkishairlines.com | +880 (2) 989 23 93