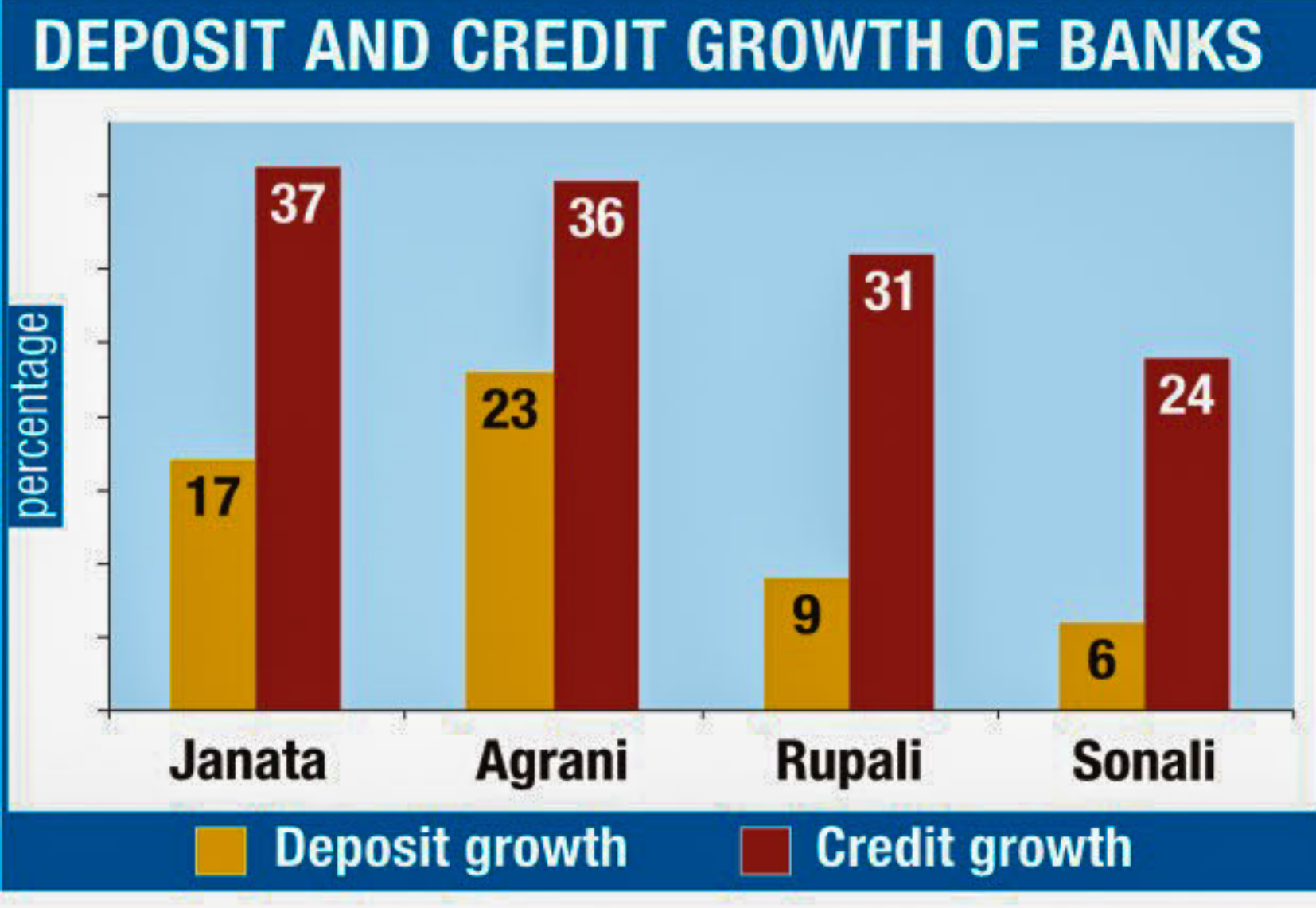


# star BUSINESS

DHAKA TUESDAY JULY 5, 2011, e-mail:business@thedailystar.net

## Banks' deficit raises concerns



Janata	-191
Agrani	-259
Rupali	-79
Krishi	-4,621
RAKAUB	-137
Sonali	685
BDBL	665
Basic	7

**REJAUL KARIM BYRON**

The overall deficit in seven state banks, which stands at Tk 3,930 crore, has raised concerns at the policy level. The situation was discussed at a high-level meeting of the finance ministry yesterday where the banks were asked to cut bad assets.

The meeting also found that credit at four state-owned banks increased by 18 percentage points against deposit, for which the banks have been asked to launch more drives to collect deposits to restore a balance.

Top officials of the Bangladesh Bank and different public banks were present at the meeting chaired by Banking Division Secretary Shafiqur Rahman Patwari at the ministry's secretariat office.

According to the finance ministry, five banks -- Janata Bank, Agrani Bank, Rupali Bank, Krishi Bank and Rajshahi Krishi Unnayan Bank -- had a total capital deficit of Tk 5,287 crore. The deficit figure of Janata Bank reflects what it was on March 31, 2011 and the deficits of the rest banks were shown as of May 31, 2011.

Three banks -- Sonali Bank, BASIC Bank and Bangladesh Development Bank -- had a combined capital surplus of Tk 1,357 crore on

May 31, 2011.

Till June 30, 2011 the banks were supposed to maintain 9 percent capital of their risk-weighted assets. But from July 1 they have to maintain 10 percent capital of such assets.

Risk-weighted asset means various types of bad loans with a bank. In banking terms loans are a bank's assets and deposits are its liability.

After July 1 the banks' deficit will rise further, said a high official of the finance ministry.

The official said the banks' capital deficit went up mainly due to an increase in the bad loans. Some of the five banks did not have any capital deficit on December 31 last year, rather they had surplus.

According to finance ministry statistics, in March 2011 Janata Bank's risk-weighted asset increased by Tk 3,000 crore compared to December 31, 2010.

The Agrani Bank's risk-weighted asset in May 2011 rose by more than Tk 1,000 crore compared to December 31, 2010. The amount was about Tk 1,800 crore for Rupali Bank in the period.

The finance ministry official said Krishi Bank and Rajshahi Krishi Unnayan Bank are not run only to serve commercial purposes. They have to provide loans to different sectors as per government direc-

tives.

However, the meeting directed the state banks to take all-out measures to cut their bad loans. The banks said the pace of disposing of cases against the defaulters is slow.

The meeting asked them to appoint efficient lawyers for quick disposal of the cases.

Another high official of the banking division told The Daily Star that last month they had to release about Tk 1,138 crore to meet the capital deficit of the state banks. They will repay the loans in 40 years.

The credit-deposit ratio of four state banks is within their limit -- 74 percent on June 23, 2011 -- but there is a lack of balance between their deposit and credit growths.

On average, the deposit growth of the four banks is 13 percent but credit growth is 31 percent in the same period.

State-owned BASIC Bank has been under government ownership from its start but it had been a good bank. The bank has no capital deficit but what has raised alarm is that its risk-weighted assets increased sharply.

On December 31, 2009 BASIC Bank's risk-weighted asset was Tk 3,185 crore which stood at Tk 5,703 crore on May 31, 2011.

Bangladesh Bank Deputy Governor Nazrul Huda was also present.

## 26 state companies may offload shares in Sept

**GAZI TOWHID AHMED**

The government has assigned the Investment Corporation of Bangladesh (ICB) as a capital issue manager of all state enterprises to offload shares in the stockmarket, an official of the finance ministry said yesterday.

The ministry asked ICB, the state-run investment firm, to communicate with 26 state enterprises to offload shares to bring back normalcy to the market, said a high official of the ministry.

Finance Minister AMA Muhith will hold a series of meetings with all state companies after he returns from Saudi Arabia, said an official of the Banking Division.

The finance ministry will send letters to relevant line ministries for the enterprises to offload shares, he added.

The official also said the government will complete offloading shares of the 26 companies by September, while some companies will finalise the size of their initial public offerings this month.

The state run investment firm has requested the finance ministry to offload shares of state enterprises through the fixed price method as the book building method and direct listing method used in the past gave rise to manipulations, he said.

## Dollar getting costlier in informal market

**SAJJADUR RAHMAN**

A widening gap in greenback prices between informal and formal markets is causing fears of a decline in remittance flow through the informal channel.

A US dollar note is being sold in the kerb market between Tk 77.50 and Tk 78 compared to a rate of around Tk 75 for banks and an inter-bank trading rate of more than Tk 74.

According to bankers, usually the spread in dollar price between the formal and informal markets hovers around Tk 1 to Tk 1.5.

"Sending money through informal (hundi/hawala) channel is on a rise. The rate of US dollar at kerb market might have encouraged remitters to send their earning back home," said a deputy managing director of a private bank who heads its international division.

According to his estimate, around 60 percent of Bangladeshi expatriate workers presently use formal channel to send their money home. But now their number is on a decline.

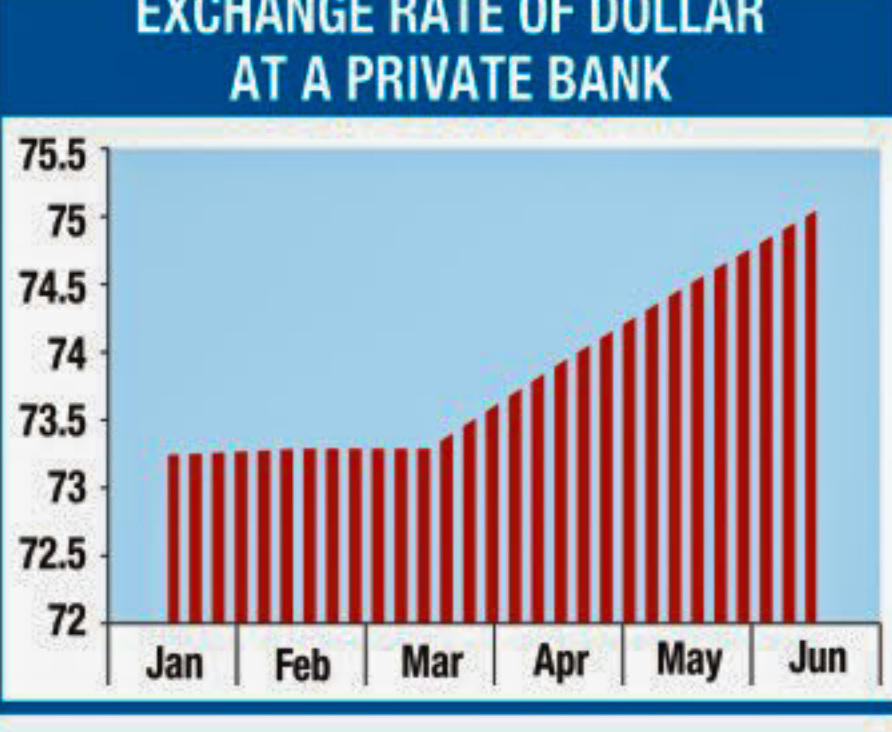
He explains if a remitter sends \$500 through informal channel, he will get nearly Tk 2,000 more than the bank rate.

Sending money through informal channels might increase in the days to come due to a climbing price of the greenback at the kerb market, the bankers fear.

Bangladesh received nearly \$11.65 billion as remittances during the just concluded fiscal year. The growth rate was more than 6 percent though it was in between 13 percent and 32 percent in the past four years.

Though money transfer to Bangladesh through banking channel has become efficient and easy over the years, it is now on a declining trend for a price gap.

Bangladesh Bank Governor Atiur Rahman has admitted the price gap, but said kerb market is not so big here.



"The amount traded in the kerb market is not that high," Rahman said.

He said the growing pressure on the greenback was due to a huge rise in imports.

"The market will be stabilised soon as we've initiated measures to control imports of unproductive things," said the governor.

Demand for the US dollar has been growing since early this year to meet buoyant import bills.

Declining remittance due to unrest in Middle East and a slowdown in manpower export have added additional pressure on the foreign exchange.

Continued devaluation of the taka against the US dollar also reflects the scarcity of the greenback in the local market. The Bangladeshi currency has been devalued against the dollar by about 5 percent since January this year.

A US dollar was traded at Tk 75.20 at customer level in the banks yesterday.

"There may be a siphoning off money in the name of treatment, education, and under invoicing," said a senior treasury official of a private commercial bank. An intelligence report also identified large-scale money siphoning earlier this month, according to newspaper report.

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## Remittance touches record mark

**REJAUL KARIM BYRON**

The remittance inflow crossed the \$11 billion mark in the last fiscal year, according to official data. Economists said the money sent by the expatriates played a major role in alleviating poverty.

In fiscal 2010-11, the remittance inflow was \$11.65 billion, up from \$10.99 billion in the previous fiscal year.

However, the remittance growth in the last fiscal year was only 6.03 percent. It was up to 32 percent over four years before last.

Zahid Hussain, senior economist of the World Bank, told The

Daily Star that the growth of remittance in volume is huge and it stimulated the rural economy. "It also played a major role in cutting poverty," he added.

Only 13.1 percent of the remittance-receiving households were below the poverty line in 2010, compared with 33.6 percent for non-receiving households, according to the findings of Household Income and Expenditure Survey 2010 released last month.

"The growth is slightly low but the positive sign here is that at the beginning of the fiscal year the remittance growth was negative. Now it is more than 6 percent on a

high base," Hussain said.

Atiur Rahman, governor of the central bank, said they have termed the growth "good".

He said the fall in manpower in recent times was the main cause of the fall in growth. He said there is huge potential for the increasing manpower in future and for that Bangladeshi embassies in the Middle East will have to be more active.

Hossain said huge infrastructure development works will be done in Qatar for the World Cup Football in 2021. South Asian nationals will be the major labour force there, he said. "As manpower is cheap in Bangladesh, there is

vast potential for exporting manpower there."

Bangladesh Bank in a statement said it has taken various steps for increasing remittance inflow. Twenty-one commercial banks got the permission to set up 48 exchange houses abroad. More proposals are under consideration, the statement added.

The number of active drawing arrangement between foreign exchange houses and local banks stood at 810 in May 2011 and more arrangements are under process.

The mobile operators were also permitted to disburse remittance through their outlets.

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## Stocks fall on price correction

**STAR BUSINESS REPORT**

All the indices of Dhaka and Chittagong bourses fell yesterday amid some price corrections, as investors booked profit in most sectors.

The benchmark general index of Dhaka Stock Exchange, DGEN, declined 33 points or 0.53 percent, to close at 6,124.

On the port city bourse, the selective categories, CSCX, lost 70 points or 0.63 percent, to end the day at 11,023.

A merchant banker described the market situation as "an expected price correction" as the market was in a bullish mood for the last five days. The index gained 316 points all together in five days of trading at the DSE floor.

The latest move of the National Board

of Revenue (NBR) on undisclosed money also pushed the market down, said a market operator.

As per the NBR, investors will not be allowed to withdraw the invested funds from the stockmarket in two years. The tax administrator has prepared a draft statutory regulatory order to this effect that may be issued this week after it is vetted by the law ministry.

The government took the decision of allowing investment of undisclosed money in the share market on Thursday.

Turnover on the premier bourse stood at Tk 881 crore, down by 22.6 percent from the previous day's turnover of Tk 1,119 crore.

Of the total 256 issues traded on the DSE, 185 declined, 64 advanced and seven remained unchanged.

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