

BB warns state banks on soaring credit

Four banks borrowed Tk 33,650cr in 10 days from call money market

REJAUL KARIM BYRON

The central bank has warned four state-owned commercial banks as their credit growth far outpaced deposit growth in signs of risky banking.

Bangladesh Bank sent separate letters to the chairmen of Sonali, Janata, Agrani and Rupali banks on Tuesday.

The four banks borrowed a total of Tk 33,650 crore from the call money market from September 6 to September 19, which the central bank mentioned in the letter as a reason behind a liquidity crunch in the inter-bank money market.

"The tendency to expand loans depending on borrowing is risky," the letter reads.

However, officials of the state banks said their lending marked a rise due to financing some big public sector projects.

They also said the deposit rate of

the banks is low, and as the private banks offer higher interest rates, many government institutions withdrew their deposits from the state banks and kept the amounts in the private banks.

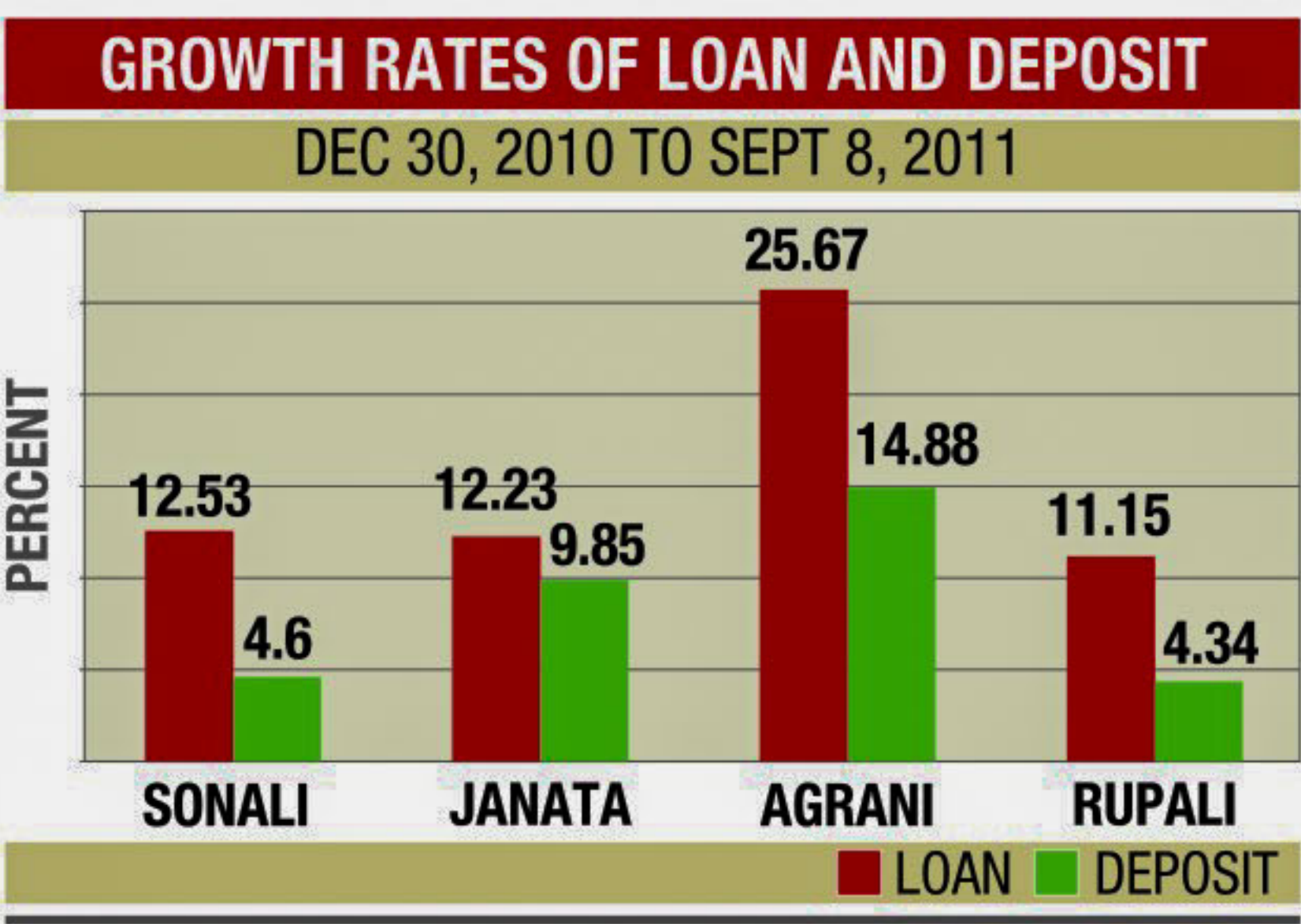
The BB letter said, due to the inequitable tendency of increasing loan and advances, there is risk of a further rise in the risk weighted asset.

It would result in arising of necessity for maintaining additional capital, which may in future cause the banks to face capital deficit, the letter added.

The central bank this month reviewed information on how much the banks borrowed from the call money market in 10 days.

Against this backdrop, the central bank has asked the banks to be more careful in managing their liquidity.

Data showed Sonali Bank borrowed on an average Tk 486 crore every day from the call money market during September 6-19, while



Janata Bank Tk 1,246 crore, Agrani Bank Tk 1,177 crore and Rupali Bank Tk 456 crore.

The BB letter also said, compared to December 30, 2010, on September 8, 2011 loan in Sonali Bank increased by 8

percentage points against deposit.

In Janata Bank the rise was 3 percentage points, in Agrani 10 percentage points and in Rupali 7 percentage points.

The BB said the state banks' default loan went up and cash loan realisation marked a fall at end-June last year.

In this context, the central bank has urged the banks to take stringent steps to overcome the mismatch quickly.

The BB has asked the banks to formulate an action plan and inform the central bank of the steps they have taken.

Sonali Bank Chairman Quazi Baharul Islam told The Daily Star that they had to open a number of big letters of credit (LC) in the public sector in recent times which gave a rise to the amount of their credit.

They also had to take a soft stance for food import, leading to a hike in their lending.

On the other hand, Islam said, after last June many government institutions withdrew deposit from the bank as the interest rate it offered was comparatively low. The private banks have been offering higher

interest rates than the state banks.

However, he said they have already instructed the Sonali Bank management to increase the interest rate on deposit.

The move will improve the situation further in the next several months, Islam said.

Islam also said: "Before June there was nothing wrong in our liquidity management. But credit marked a rise after June."

He said he had noticed this much before, and asked the management to take effective steps.

Janata Bank Managing Director SM Aminur Rahman said the bank gave Tk 800 crore loans to Bangladesh Petroleum Corporation and Tk 300 crore to Bangladesh Agriculture Development Corporation.

Alongside the public sector, Rahman said, in the private sector they provided loans to priority areas such as power and food that shot up their amount of loans.

State mills hike sugar prices

SOHEL PARVEZ

Bangladesh Sugar and Food Industries Corporation (BSFIC) increased mill-gate prices of sugar by 13 percent to Tk 60 a kilogram early this week, a senior official said yesterday.

The state-run agency hiked the mill-gate prices of sugar for the second time in four months. Earlier this year, the price was Tk 45, which was hiked to Tk 53 in June.

The BSFIC, which operates 15 state-run sugar mills, cited an increase in production costs behind the latest hike in the price. The corporation, however, did not set any rate for its nearly 4,000 dealers to sell the sugar to retailers.

"We have increased the sales price as our production costs have been very high for a long time," Ferdous Begum, secretary to the BSFIC, told The Daily Star yesterday.

She said the decision to hike the price came on Monday.

The hike in prices came a week after private sugar refiners raised factory gate rate by Tk 4 or 7 percent to Tk 64 because of a rise in their import costs.

The retail prices of sugar, however, remained stable at Tk 65-Tk 68 each kilogram yesterday, thanks to imports from India in the last two weeks that reined in the prices at the wholesale level due to an increased supply.



State and private refiners hiked the prices at a time when sugar prices fell on the international market on the speculation of a rise in output in India, world's second biggest producer, and Europe.

Officially of the BSFIC, however, said the government considers increasing the procurement price of sugarcane to encourage farmers to continue growing cane as production declines due to a fall in cultivation area amid farmers' switch to other crops.

Early this week, sugarcane farmers demanded a hike in the prices of sugarcane to Tk 120 each maund from present Tk 83 and threatened to stop supply to the sugar mills in the coming crushing season unless their demand remains unmet.

The mills under the BSFIC produced 100,962 tonnes of sugar in fiscal 2010-11, up from 62,000 tonnes the previous year.

The amount of production by the state mills is 7-8 percent of the yearly demand for sugar at 12-14 lakh tonnes, according to millers.

Ferdous Begum said the average production cost of the BSFIC sugar mills stands at Tk 77-Tk 78 a kg and it is difficult for the corporation to continue selling below the cost.

Abul Hashem, owner of Hasan Enterprise, a dealer of the BSFIC, said he knew from the corporation that the mill-gate sugar prices have increased to Tk 60 per kg. He said he is yet to collect sugar at the hiked rate.

"I will incur loss if I buy sugar at Tk 60 a kg," said Hashem, also vice president of Bangladesh Sugar Merchants Association.

BTRC guideline now puzzles operators

ABDULLAH MAMUN

Confusion has gripped mobile operators after the telecom regulator brought out some amendments to their licence renewal guideline.

The amended guideline says the operators will have to deposit all the charges to the regulator without deducting taxes at source.

The mobile companies now pay their charges after deducting money at source for VAT payment to the tax administrator.

The new move of the regulator, Bangladesh Telecommunication Regulatory Commission, is conflicting with the National Board of Revenue's value added tax-related regulations.

According to an SRO (statutory regulation order) of the NBR published on August 18 this year, limited companies will have to deposit all payments, including charges and fees, after deducting 15 percent tax at source.

The BTRC has posted some of the amendments and the final licence renewal guideline at its website.

According to the amendments, the charges and fees will come from spectrum price, 5.5 percent revenue of gross income meant for sharing with the government and 1 percent revenue for social obligation fund.

Currently the operators pay 85 percent of the charges to the telecom regulator and the rest 15 percent to the tax administrator as VAT.

A commissioner of the BTRC said it will receive the total payable audited money without any kind of deduction. The VAT exemption or other tax related issues will be resolved by the NBR.

However, the telecom ministry Tuesday sat at a meeting with the law and

finance ministries, NBR and BTRC to resolve the problem, said a telecom ministry official.

He said the NBR will now clarify how the VAT will be collected, and the telecom ministry will provide the tax administrator with necessary documents.

Zakiul Islam, director of legal and regulatory affairs of Banglalink, said they are trying to get a clarification from the government on how to address the situation.

Mahtabuddin Ahmed, chief financial officer of Robi, said they are trying to meet the NBR chairman to have a clarification about the tax issues that he hoped would be addressed soon.

Kazi Monirul Kabir, chief communications officer of Grameenphone, said the telecom sector is already heavily taxed as 50 percent of its income goes to the government as tax.

The total tax regime of the telecom sector should be reviewed, he said.

Some officials said spectrum assignment does not add any value, so it cannot be under the VAT regime.

They also said VAT is basically paid by consumers or subscribers, while business entities work as medium only.

So such charges should be kept away of any VAT, they said.

The telecom ministry finalised the renewal guideline earlier this month and sent it to the BTRC for publication after taking approval from Prime Minister's Office and the finance ministry.

But the regulator published the guideline with some changes that created confusion.

Later the operators discussed with the telecom ministry about the changes. The BTRC then amended the guideline but again those have created confusion.

The amended guideline says the operators will have to deposit all the charges to the regulator without deducting taxes at source

Stocks slip for second day

STAR BUSINESS REPORT

Stocks plunged for a second day amid liquidity dearth and vacillation.

The benchmark General Index, DGEN, the yardstick of Dhaka Stock Exchange, closed at 5,851, after falling 28 points or 0.47 percent.

Stockbrokers said the topsy-turvy trading curve showed that 'no confidence' among the investors was the major problem in the market.

"The index wavered as if buyers were exhausted and the dearth of liquidity has become the main scourge of the market," Lanka Bangla Securities said in its market analysis.

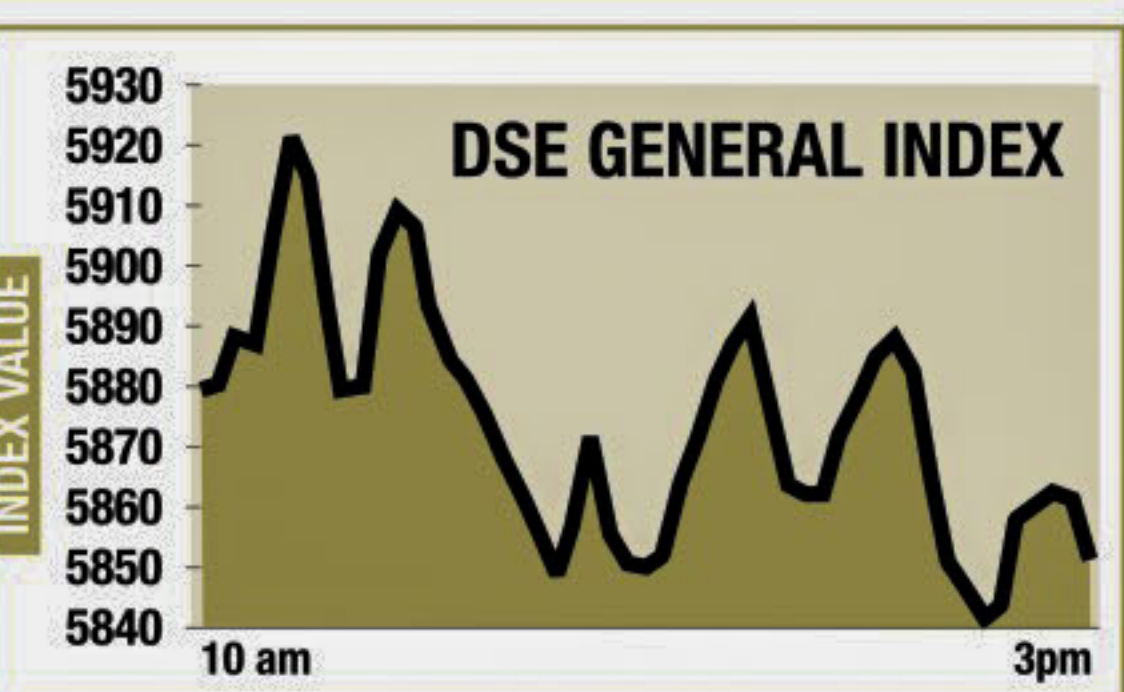
The market started off on a positive note, but failed to sustain it as selling pressure pulled down the market.

"The volatile situation throughout the day was an indication of confusion that still lurks in the capital market," Green Delta Securities said.

However, it said experts believe that if the turnover increases in the upcoming days, the indices are likely to be stabilised.

Activities were significantly down on the bourse where turnover, volume and trade plunged 37.65 percent, 38.14 percent and 31.92 percent respectively.

More than 3.43 crore shares and



mutual fund units on a value of Tk 319 crore changed hands on the floor.

Of the traded issues on the DSE, 148 declined and 90 advanced. Twenty securities remained unchanged.

Lafarge Surma Cement topped the turnover leaders with 2.59 lakh shares worth Tk 16.16 crore changing hands.

Pharma Aid was the biggest gainer of the day as it posted almost 5 percent rise. Grameen Mutual Fund One: Scheme Two was the worst loser, slumping 4.09 percent.

The Chittagong Stock Exchange also declined yesterday with the Selective Categories Index, CSCX, closing at 10,614, after declining 48 points or 0.45 percent.

More than 63.72 lakh shares and mutual fund units worth Tk 46.65 crore traded on the port city bourse. Losers beat advancers 116 to 56. Eight securities remained unchanged.

DSE mulls fund to help margin loan recipients

STAR BUSINESS REPORT

The Dhaka bourse yesterday agreed in principle to form a 'Market Stabilisation Fund' to help recipients of margin loans and also the lenders as they face difficulty while adjusting their loans at the time of a downturn in the market.

Ahasanul Islam, senior vice president of the Dhaka Stock Exchange, said both the providers and recipients of margin loans are in trouble as the market is going through a relentless downtrend.

The proposal of forming the fund will be approved today after a meeting with the Federation of Bangladesh Chambers of Commerce and Industry, said Islam.

The DSE also issued a notification for sponsors and directors enabling them to buy shares of big market capitalisation companies to give a price support to the bearish market.

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