STOCKS		COMMODITIES		ASIAN MARKETS			
DGEN	CSCX	Gold ▲	Oil ▼	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.54%	▼ 1.51%	$1,733.45 (per ounce)	$88.90 (per barrel)	▼ 0.05%	▼ 0.12%	▲ 0.27%	▼ 0.40%
4,161.19	8,076.63			18,329.32	9,142.64	2,958.82	2,008.92

CURRENCIES — STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	81.25	101.27	127.18	0.99
SELL TK	82.24	105.28	131.18	1.11

Star BUSINESS

DHAKA WEDNESDAY NOVEMBER 21, 2012, e-mail:business@thedailystar.net

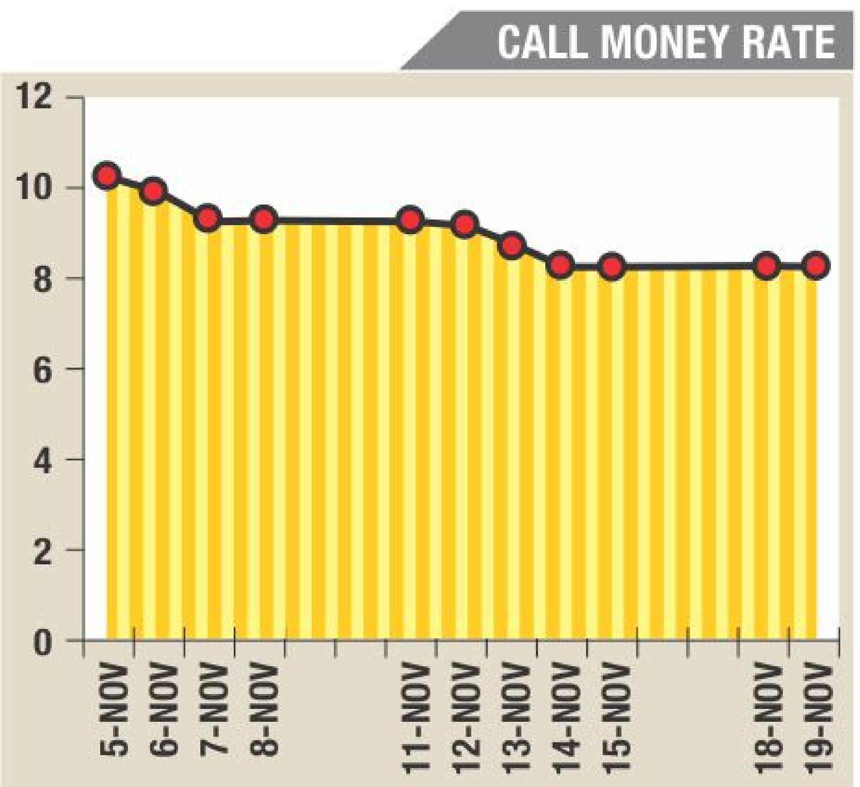
Private banks sitting on surplus funds

Low demand for loans pushes up their unused funds to Tk 20,000-25,000cr

SAJJADUR RAHMAN

Unlike the cash-strapped state banks, private commercial banks are sitting on surplus funds to the tune of Tk 20,000-25,000 crore, which indicates a slower demand for loans in the market, according to banks.

CALL MONEY RATE



The loan-deposit ratio of the private banks has gone down significantly from the Bangladesh Bank's permissible limit of 85 percent. Call money rate has also come down to the single-digit level, which was unthinkable a few months ago.

Top bankers identified a set of reasons for an increase in liquidity in the banking industry.

The reasons include: infrastructure constraints, a low demand for loans, high lending rates, new rules on provisioning, tightening of imports and consumer loans, a decline in government's borrowing from banks, a rise in remittances and availability of loans from foreign sources.

The central bank's new rules to devolve investment in government securities to all banks from primary dealer (PD) banks alone created some funds for the PD banks.

"Imports and the private sector's demand for loans have gone down. But the growing tendency to borrow from foreign sources has created the surplus fund," said Nurul Amin, managing director of NCC Bank.

Amin said local private companies borrowed $2 billion from foreign sources this year.

He said many banks are now investing in short-term treasury bills to earn something from their excess liquidity.

NCC Bank's present loan-deposit ratio is at 77 percent, meaning the bank gave Tk 77 as loans against a deposit of Tk 100.

The ratio is 71-72 for Mutual Trust Bank, which reflects a poor demand for loan.

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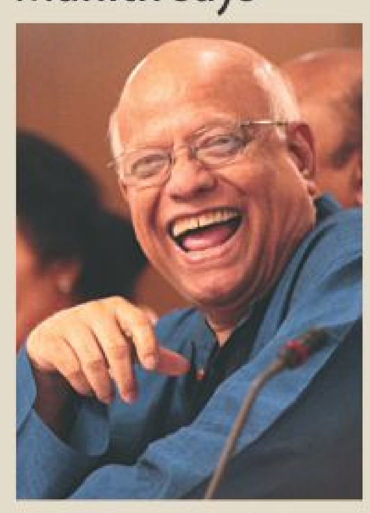
Bangladesh: one of the fastest growing nations, Muhith says



AMA Muhith

STAR BUSINESS REPORT

Bangladesh has been one of the fastest growing economies in the world since 2008, Finance Minister AMA Muhith said yesterday.

"The GDP growth in Bangladesh is the highest after China, Brazil, Singapore and Turkey," Muhith told journalists at his secretariat office in the capital.

Bangladesh has achieved 25.5 percent growth in the last three and a half years, the minister added.

"But this achievement does not get the publicity in the media. Whatever I say, only the negative and weak parts of my speech are published in the media."

Sluggish investment: a big worry for economy

MCCI says foreign investors spooked by confrontational politics

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI), a leading chamber, yesterday expressed concerns over the country's sluggish investment scenario.

The Board of Investment received 420 investment proposals worth Tk 148.76 billion in the first quarter of fiscal 2012-13, down 3.1 percent from the previous quarter's Tk 153.53 billion, the MCCI said in its quarterly economic review.

"Due to the confrontational politics and political uncertainties, interested foreign parties are being cautious in investing in Bangladesh," the MCCI said, while stressing the need for higher foreign investment to attain the desired growth rate.

A total of 49 foreign and joint venture companies registered their investment proposals worth Tk 10.43 billion with the BoI in the first quarter of fiscal 2012-13, it said.

Pressure on the balance of payments, rising inflation, inadequate infrastructure, administrative incompetence, rising government expenditure, political uncertainty, downward trend of the capital market, large-scale fraud in the banking sector have also saddled the economy, it said.

"These problems will need to be addressed on an urgent basis if the ambitious 7.2 percent GDP growth target set by the government is to be achieved," MCCI said.

Problems will need to be addressed on an urgent basis if the ambitious 7.2 percent GDP growth target set by the government is to be achieved: MCCI

It said exports of agricultural products, including fruits, vegetable and cash crop, showed a robust 17.54 percent growth year-on-year -- to $134 million -- in the first quarter of fiscal 2012-13.

The manufacturing sector, too, registered decent growth of 9.76 percent during the quarter, with its share in GDP rising to 19.01 from 18.42 percent.

The services sector, however, recorded a slightly lower growth of 6.06 percent year-on-year during the quarter, mainly due to slower expansion of trade activities.

"A much faster growth of the overall service sector is possible in the present fiscal year if production in the real sectors increases at a greater pace," said the MCCI.

The state of the capital market was slightly better during the quarter; of note were the increase in participation of institutional and foreign investors.

Exports grew by 2.06 percent year-on-year to $6.29 billion during the quarter, with the weak growth credited to the financial crisis in the European Union and slow economic growth in the US.

Inward remittances increased 19.48 percent to $3.55 billion; the impressive growth was down to Bangladesh Bank's proactive role and the stability of the taka against the dollar.

The chamber said the overall inflation seems to have eased, driven by the food inflation, which decreased by 0.50 percent on the back of declining rice prices.

ADP effort quickens

STAR BUSINESS REPORT

The implementation of the annual development programme increased by five percentage points in the first four months of the current fiscal year compared to the same period a year ago.

ADP implementation in July-October was Tk 10,729 crore, or 20 percent, of the total allocation, according to data from the Implementation Monitoring & Evaluation Division.

In the same period of last fiscal year, the implementation was 15 percent of the total allocation.

The implementation rate for ministries and divisions was the same -- 21 percent -- for both fiscal years. This year, Tk 7,056 crore has so far been spent from the government's own funds allocated to the ADP.

The difference is in foreign aid implementation, which more than doubled in July-October from a year ago.

In the first four months, the ministries and divisions spent foreign aid of Tk 3,873 crore, or 17 percent, of the allocation. In the same period of last fiscal year, the foreign aid spending was Tk 1,278 crore or 7 percent of the allocation, the data shows.

The current fiscal year's ADP allocation is Tk 55,000 crore.

Foreign aid utilisation sank low in the first half of the last fiscal year, which prompted the finance ministry to pressurise ministries and departments to increase it in the second half.

The Finance Division also set foreign fund utilisation as a pre-condition to release local funds for the project.

Of the 10 biggest ministries and divisions, the Power Division used up the highest -- 35 percent -- of its allocation.

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From left, Riti Ibrahim, secretary of Statistics Division; Hasan Mahmud, environment minister; Hossain Zillur Rahman, executive chairman of Power and Participation Research Centre; Ghulam Quader, a former adviser to caretaker government; and Abu Alam Md Shahid Khan, secretary of Local Government Division, attend the opening ceremony of a workshop on urbanisation at Ruposhi Bangla Hotel in Dhaka yesterday.

Set up finance commission for local government bodies

Former governor of Bangladesh Bank suggests in his presentation on urban public finance

STAR BUSINESS REPORT

Bangladesh should set up a local government finance commission to help cities and municipalities become self-sufficient, former central bank governor Salehuddin Ahmed said yesterday.

"I think it is very necessary."

"The dependence of local government bodies including the urban ones on central government for finance must be reduced. The present ad-hoc and discretionary practices of central government in allocating resources should be abandoned to achieve fiscal decentralisation," Ahmed said.

The best way to achieve fiscal devolution is to set up a permanent local government finance commission, he said.

His comments came at a daylong workshop, "Bangladesh Urban Dynamics", organised by Power and Participation Research Centre (PPRC) at the capital's Ruposhi Bangla Hotel.

Presenting a keynote paper on urban public finance, Ahmed said the importance of tying both political and fiscal decentralisation together has to be recognised.

In order to capture the efficiency gains of local government, it would be necessary to have a significant set of expenditure responsibilities and taxing powers, he added.

The local government, especially city corporations, may also consider issuing municipal bonds for fund raising purposes, Ahmed said.

"However, this is a complex process which, among other things, requires legal reforms."

Ahmed said drastic changes to the physical, economic and social structure in the urban areas due to rapid urbanization has been posing serious challenges to sustainable urban development in Bangladesh.

Hossain Zillur Rahman, executive chairman of PPRC, said urbanisation is a major issue for Bangladesh as the country is going to have 10 crore urban population by 2030.

"It is a national, social and economic issue," he said.

The economist also said the government would have to make urbanisation one of its key agendas for transforming Bangladesh into a middle-income nation.

"It will be a growth driver of the country. Its potential has to be maximised."

Hasan Mahmud, environment and forests minister, calls for planned urbanisation so that services could be provided in an efficient manner.

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NRBs to invest directly in Bangladesh Fund

STAR BUSINESS REPORT

The non-resident Bangladeshis can directly invest in the Bangladesh Fund, which was floated last year following the stockmarket debacle.

The NRBs can buy the units of the fund by using their Non-Resident Investors Taka Account (NITA).

The permission came at a meeting of the Securities and Exchange Commission yesterday with its Chairman M Khairul Hossain in the chair, according to a press statement.

Earlier, ICB Asset Management Company, the issue manager of the fund, requested the regulator to allow investments from the NRBs in the fund.

Before the permission was given, the NRBs were allowed to invest in the open-ended fund as foreign investors.

The government launched the Tk 5,000-crore Bangladesh Fund after the market debacle early last year with the Investment Corporation of Bangladesh (ICB) as the lead sponsor.

Seven other sponsors were Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank, Sadharan Bima Corporation and Jibon Bima Corporation.

The sponsors contributed Tk 1,500 crore to the fund, while the rest Tk 3,500 crore are kept for public.

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OTHER STEPS

- Two panels formed to modify public issue and rights issue rules
- Another panel to formulate guideline on asset revaluation of listed companies
- A probe body to investigate the irregularities of NBL Securities
- MDs and directors of Bangla Process Industries and Mita Textile fined Tk 1 lakh each

IDLC, IDCOL raise funds for Chittagong power project

STAR BUSINESS DESK

IDLC Finance Ltd and Infrastructure Development Company Ltd (IDCOL) raised Tk 2.28 billion and $30 million for a power project in Chittagong.

ECPV Chittagong Ltd (ECPVL) will use the fund to set up a 108MW power plant, IDLC said in a statement yesterday. The total cost of the project is $93 million.

ECPVCL, a joint venture power project of Confidence and Energypac, will build the project on a build, own and operate basis under IPP arrangement for a 15-year term.

The power plant is expected to go into commercial operation by July 2013 and will be using Rolls-Royce liquid fuel engines.

Twelve banks and non-bank financial institutions took part in the syndication.

Other lenders are Bank Asia, United Commercial Bank, Bangladesh Commerce Bank, One Bank, the City Bank, Standard Bank, Uttara Finance and Investments, United Leasing Company, Islami Bank Bangladesh and Industrial Promotion and Development Company.

Abul Kalam Azad, power secretary, attended the loan signing ceremony as chief guest; and Stefan Ekelund, deputy country director of Asian Development Bank, was the special guest.

Senior officials from the participating banks and financial institutions, including Selim RF Hussain, managing director and chief executive officer of IDLC Finance; Mahmood Malik, executive director and CEO of IDCOL; and Imran Karim, managing director of ECPVCL, were also present.