STOCKS		COMMODITIES		ASIAN MARKETS			
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.88%	▼ 0.75%	▲ $1,654.50 (per ounce)	▼ $92.68 (per barrel)	▼ 0.47%	▼ 0.83%	▼ 0.22%	▲ 0.37%
4,126.92	8,024.72			19,691.42	10,599.01	3,218.26	2,285.36

CURRENCIES STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	79.75	104.48	126.92	0.92
SELL TK	80.74	108.48	130.91	1.02

Star BUSINESS

DHAKA TUESDAY JANUARY 8, 2013, e-mail:business@thedailystar.net

Non-banks hunt for funds from depositors

Sajjadur Rahman

Non-bank financial institutions, which are struggling to sustain business growth, have decided to intensify their deposit collection measures to reduce dependence on costly bank funds.

As part of the move, many non-banks have set up liability management units in the last few months to mobilise deposits from sources other than banks.

The finance companies are also working to come up with new and diversified products to compete with the banks.

Presently, the non-banks cannot take deposits for less than six months or open current and savings accounts, according to Bangladesh Bank rules.

"We've emphasised on deposit collection from the customers directly to gradually wean ourselves off banks," said Asad Khan, managing director of Prime Finance.

The NBFIs have set a target to reduce dependence on bank funds to only 20 percent within this year, from around 50 percent now, he said.

Khan has employed 30 employees for his company's unit to expedite fund collection.

Inamur Rahman, managing director of Bangladesh Industrial Finance Company Ltd, also said they have set up a different unit to collect deposits from sources other than banks.

During the recent years, a tight monetary policy of the central bank has radically changed the fund sourcing strategies of the non-banks that fully depended on bank funds five years ago.

The non-banks' sources of funds shrank in 2011 and 2012 when banks themselves were in a shortage of funds.

Many NBFIs had to borrow at more than 18 percent from banks to run their business.

Accordingly, higher costs of funds have eroded their interest margin leading to a fall in profit in 2012.

Also, banks' increasing exposure to leasing business has affected the non-banks' core business, which, according to the industry people, has severely distorted the level-playing field of the NBFI sector.

Amid this changing business pattern, the non-banks have taken new strategies, and IDLC Finance has already shown the way.

Since 2010 IDLC Finance has been diversifying its business, and to achieve the target, the company has invested a lot, including for recruiting 390 fulltime employees and for branding.

"The board and management of the respective companies have to jointly prepare plans to make their business sustainable," said Selim RF Hussain, managing director of IDLC Finance.

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A worker piles up jute yarn rolls at a factory. Manufacturers of jute products have cut export prices to cope with sluggish demand in the global market.

Jute goods makers cut export prices to lure in buyers

Suman Saha

Jute product manufacturers have slashed down the export price to counter the sluggish demand in the global market.

The average price of jute products fell by 7.92 percent year-on-year to $1.03 per kilogram in the July-October period of 2012.

Bangladesh, which exports jute and jute products to 118 countries, has been witnessing positive growth in exports, said Najmul Huq, chairman of Bangladesh Jute Mills Association (BJMA), as "many manufacturers are now selling at lower prices".

At present, 100 jute sacks are selling at $95-$100, which was $105 last year, according to Huq.

The BJMA chairman added that a steady export growth is being witnessed recently due to "a rise of volume".

Bangladesh Jute Mills Corporation, which has 22 state-jute mills in operation, also saw positive growth on jute product exports in terms of volume and value during the last several months, said Major General Humayun Khaled, chairman of BJMC.

"Bangladesh exported 6.5 lakh tonnes of jute goods against the world demand for around 8 lakh tonnes a year," said Shahidul Karim, secretary of Bangladesh Jute Spinners Association.

Bangladesh exported 245.90 million kg of jute products worth $253.28 million in the first four months of fiscal 2012-13, up from the 210.42 million kg worth $245.84 million recorded for the same period last year, according to data compiled by Bangladesh Bank.

Raw jute and jute product exports rose by 1.01 percent year-on-year to $414.45 million in the July-November period of this fiscal year, data from the Export Promotion Bureau showed.

However, demand for jute yarn has been showing a downward trend as many jute importing countries are suffering from either recession or political instability.

"Several factors such as the US sanction against Iran, the unrest in Syria and the instability in some other Middle Eastern and African markets are hampering the jute and jute product exports," Karim said.

Md Mahfuzul Hoque, chairman of Bangladesh Jute Association, said the price of raw jute is on the slide.

The average raw jute price fell by 5.37 percent year-on-year to $0.53 per kg in the July-October period of current fiscal year, according to official data.

"We are incurring losses due to purchases of raw jute at higher prices from jute cultivators," said Hoque.

A maund (40 kg) of raw jute is now selling at Tk 1,200-Tk 1,400 against the purchase price of Tk 2,200-Tk 2,400, he added.

Sovereign bond plan set in motion

A panel formed to take preparations to invite bids, arrange roadshows

Rejaul Karim Byron

The government has finally formed a panel, which will take necessary preparations to float sovereign bonds in the international market.

The committee will coordinate the work of the finance ministry and the central bank for selecting the lead bank, arranging roadshows and holding discussions with the probable investors.

A finance ministry official said the government plans to collect $500 million primarily through the sovereign bonds. The eight-member 'transaction execution committee' formed on January 3 will prepare an 'expression of interest' and will request the BB to invite bids to appoint the lead bank.

The panel headed by Bangladesh Bank Deputy Governor SK Sur Chowdhury will also negotiate with the interested bidders about commission and fees and will put forward necessary recommendations to the BB.

The committee will advise the government on the amount and type of the bonds and monitor transaction settlements after the issuance.

The finance ministry official said the bonds will be issued through several foreign banks operating in Bangladesh and the banks have already submitted a draft proposal to the ministry.

The other committee members are ARM Najmus Saquib, additional secretary to the finance ministry; Mohammad Muslim Chowdhury, a consultant for the Finance Division; Md Ahsanullah, BB executive director; Sarwar Alam, deputy secretary to the Finance Division; Bisnupada Saha, BB general manager; Abu Daiyan Mohammad Ahsanullah, senior assistant secretary to the Finance Division, and Saiful Islam, BB deputy general manager.

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Forex reserves cross $13b

Star Business Report

The country's foreign currency reserves yesterday crossed the $13 billion mark, thanks to slowing imports and steady remittance growth, officials said.

Reserves increased by more than $3 billion in a year to reach $12.75 billion in December 2012, according to data from Bangladesh Bank.

"A rise in remittance inflow has contributed to strong reserves," said Kazi Sayedur Rahman, general manager for the central bank's forex reserve and treasury management department.

"Remittances worth $150 million came in the first three workdays in January," Rahman said. Forex reserves stood at $13.05 billion yesterday.

Forex reserves will drop down below the $13 billion mark by the weekend when Bangladesh Bank will settle a payment worth around $600 million to Asian Clearing Union.

Higher RMG exports to buoy cotton consumption in 2013

Refayet Ullah Mirdha

Cotton consumption will increase by 10-15 percent in 2013 on the back of higher ready-made garment exports, industry insiders said yesterday.

"RMG exports are displaying a distinct upward trend, which will increase demand for cotton," said Jahangir Alamin, president of Bangladesh Textile Mills Association (BTMA).

In July-November, knitwear exports increased year-on-year by 1.74 percent, woven by 10.16 percent and home textile by 0.59 percent, according to data from the Export Promotion Bureau.

Last year, Bangladesh consumed 3.9 million bales (1 bale equals 440 pounds) of cotton worth around $1.6 billion, the data from BTMA shows.

With the fall in the price of raw cotton globally, the price of yarn has also declined to a rational level in the local market, the industry leaders said.

Currently, the widely consumed 30-count yarn is selling at $3.6 per kilogram in the world market and at $3.7 per kg in the local market, the BTMA data showed.

"But higher consumption of cotton is depending on adequate supply of gas and power in the industrial units," Alamin said.

The country's 385 spinning mills are running at 70 percent of production capacity due to lack of adequate utility supply to the industrial units, he added.

"As a result, the spinners cannot produce yarns as per demand from local knitters and weavers."

At present, the spinning sub-sector or primary textile sector (PTS) can supply 90 percent of the fabrics for the knitwear sub-sector and 40 percent for woven sub-sector, according to the industry people.

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Industry insiders see a rise in cotton use this year amid an increase in exports of garment items.

Moreover, the local knitters and weavers are increasing the consumption of fabrics from local spinners due to the shorter lead-time and lower transport costs.

Alamin said the previous inventory is fast clearing, so the yarns the spinners are now producing are selling at competitive prices.

"But we have suffered a tremendous loss from the sale of old stock of yarn as the cotton was purchased at an average of $2.50 per pound two years ago," said the BTMA chief.

A Matin Chowdhry, managing director of Malek Spinning Mills, a major cotton importer, said there is no possibility of a cotton crisis this year due to the harvesting of new crops and safety net of old stock.

Moreover, the largest cotton consuming country, China, will reduce cotton import to 11.5 million bales from its previous year's import at 24.5 million bales due to old stock, he said.

"As a result, the whole world will witness availability of cotton this year," he said.

reefat@thedailystar.net

BB underscores e-commerce

Star Business Report

Bangladesh Bank prioritised online payment service to accelerate e-commerce, Deputy Governor Nazneen Sultana said yesterday.

"Once people become habituated with IT [information technology] the success of e-commerce is just a matter of time," she said.

But the financial institutions will have to ensure payment security and products will have to be delivered as promised, she added. Sultana's comments came at a roundtable on the potential and challenges of e-commerce as a business driver, held at Ruposhi Bangla Hotel in Dhaka.

The event, organised by Bangladesh Bank and Bangladesh Association of Software and Information Services (BASIS), was part of an e-commerce week that started on Saturday.

In India, 58 percent of the electronic transaction takes place for air and train ticket purchase, said Uttam Nayak, VISA's country manager for India and South Asia.

To popularise the e-commerce service in Bangladesh, he suggested introducing prepaid cash card service to attract the low-income people.

He also suggested that all the financial institutions are put on the same electronic payment platform so that individual banks need not develop their own.

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