

CURRENCIES

USD

77.03

EUR

100.01

GBP

118.47

JPY

0.74

BUY TK

78.03

SELL TK

104.04

122.46

0.83

IDLC

financing happiness

Head office of NCCB Securities is now

AT OWN PREMISES WITH LARGER SPACE

from Sunday, April 28, 2013

New Address :

NCC Bank Bhaban (3rd Floor),

13/1,13/2, Toyenbee Circular

Road, Motijheel C/A, Dhaka.

Ph.: 7125684, Fax: 7114097

NCCB

SECURITIES & FINANCIAL SERVICES LTD.

www.nccb.com.bd



Mashiur Rahman, economic affairs adviser to the prime minister, and Rehman Sobhan, chairman of Centre for Policy Dialogue, attend a quarterly policy briefing organised by Policy Research Institute (PRI) at its office in Dhaka yesterday. Zaidi Sattar, chairman of PRI, was also present.

Political intervention, weak governance dog state banks

Economists at PRI event suggest privatisation of state-owned banks

STAR BUSINESS REPORT

A leading think-tank yesterday urged the government to privatise state-owned banks, given the adverse environment of political interventions and weak governance they operate in.

"Over the longer term, the government should also reassess whether it really needs to be in the business of banking services," Sadiq Ahmed, vice-chairman of Policy Research Institute (PRI), said in the paper titled 'Banking Sector in Bangladesh: Progress, Challenges and Agenda for Reforms'.

"There is plenty of international evidence that publicly-owned banks do not perform well in an environment of weak governance.

The quality of portfolio inevitably gets tainted, owing to political interventions that are inconsistent with sound banking decision."

Ahmed's analysis was presented by Zaidi Sattar, chairman of PRI, at the think-tank's fourth quarterly policy brief, held at PRI's headquarters in Dhaka.

The first best option is to privatise the state-owned banks, which, unfortunately, would not go down well with the country's political parties, according to the paper.

Besides, there are other practical problems which include opposition by unions and finding sound buyers who are also untainted by political favours.

It said the second-best approach could be taking away the lending

functions of the state-owned banks, which would give rise to a "dual banking system" consisting of state-owned "narrow banks" to gather deposits to invest in treasury bills and conventional private sector banks.

"Importantly, the deposits mobilised [by the state-owned banks] then will be safe and not exposed to risks of the type presented by the recent Sonali Bank scam."

In his paper, Ahmed wrote: "The government must understand it faces a very tight fiscal situation owing to the burden of energy subsidies and it cannot absorb yet another fiscal shock emerging from an overload of infected portfolio in public banks."

READ MORE ON B3

Stocks now reflect their true value: analyst

STAR BUSINESS REPORT

The shares at Dhaka Stock Exchange are now correctly priced and the decline in daily market turnover is consistent with many healthy and stable regional peers, a top expert said yesterday.

"Following a major correction, DSE stocks can now be found to be accurately priced," said Ahsan H Mansur, executive director of Policy Research Institute (PRI).

"The market volatility measured in terms of movements in the DSE index and the average turnover are still high, but not out of line with market volatilities observed in other places which had gone through similar corrections at the same stage of development."

Mansur's observations came while presenting a paper, titled 'Post-Correction Bangladesh Stockmarket: Market Developments and Policy Issues', at the fourth PRI quarterly policy briefs on the economy at the think-tank's office in Dhaka.

Following a bull run that started in the second half of 2009, DGEN, the then benchmark general index of the DSE, reached a peak of 8,919 in December 2010.

Market turnover as a percentage of market capitalisation surged from the very lows of about 19 percent in 2006 to about 114 percent.

READ MORE ON B3

Police seal two buildings with cracks

STAR BUSINESS REPORT

Law enforcers sealed a shopping complex in Chittagong yesterday and a garment factory in Narayanganj on Friday, as cracks were detected in both the four-storey buildings.

A mobile court of the district administration led by Additional Deputy Commissioner (General) SM Abdul Kader sealed the building while conducting a drive.

The 30-year-old JACKS Shopping Complex on Sheikh Mujib Road in the port city accommodates 33 shops, an insurance office and a garment factory of Eian Apparels.

Earlier on March 4, Chittagong City Corporation had served notices on the building owner to evacuate and demolish the structure within 15 days.

Khurshid Anwar, one of the seven owners of the building, alleged that they had requested the tenants, including the garment factory, to leave the building, but none paid heed.

He said they signed a deal with a developer two years ago, but could not demolish the building, as the tenants did not leave it.

Emdadul Hoque Chowdhury, owner of the garment factory, could not be reached for his comments.

Meanwhile, the police asked the owner of Pipilan Knitwear Ltd in Narayanganj to keep the factory closed until Narayanganj City Corporation gives a go-ahead, as cracks were detected on the second floor of the building.

M Ahsan Ali, assistant superintendent of police in Narayanganj, said they visited the factory upon receiving complaints from workers.

However, Khairul Alam, owner of the building, said there were no cracks in the structure.

Nur Alam Chowdhury, owner of Pipilan, said: "All these are rumours created to panic people."

A nine-storey building -- Rana Plaza -- collapsed in Savar last week, killing more than 340 people.



Cracks are seen on the concrete walls of JACKS Shopping Complex in the port city of Chittagong. A mobile court finally sealed the building.

ANURUP KANTI DAS

Savar tragedy is a fresh blow to economy: Atiur

STAR BUSINESS REPORT

After a series of shutdowns and incidents of political violence, the Savar tragedy deals yet another blow to the economy, Bangladesh Bank Governor Atiur Rahman said yesterday.

"The irreparable losses to the garment sector caused by some irresponsible and greedy people cannot be accepted," he said.

Rahman spoke at a function to unveil a bunch of initiatives that the central bank has taken for banking sector automation and financial inclusion in the last four years.

Finance Minister AMA Muhith was also present at the function at Bangabandhu International Conference Centre in Dhaka.

Prime Minister Sheikh Hasina was scheduled to be the chief guest at the programme but she could not make it due to "un-



Finance Minister AMA Muhith touches a screen to launch an automation system of Bangladesh Bank at a function at Bangabandhu International Conference Centre in Dhaka yesterday.

FOCUS BANGLA

avoidable circumstances".

The BB governor said the people responsible for the tragedy should be punished duly.

The government, the central bank and financial institutions will come forward unitedly to do whatever is necessary to ensure good governance and compliance in the garment sector, Rahman said.

Earlier the finance minister launched three books published by the central bank, including 'Changed Bangladesh Bank: Four years of progress'.

The minister also inaugurated the automation process of the central bank and laid the foundation stone of a "currency museum" at the BB headquarters.

Muhith said financial inclusion has become very popular in the global financial sector.

The BB has also been playing an important role in financial

inclusion, the minister said.

Muhith also said one of the main targets of the present government is to turn Bangladesh into a poverty-free, digital Bangladesh by 2021.

The BB governor said, "Our developmental initiatives over the past four years have maintained continuity with the earlier programmes initiated by my predecessors."

The central bank's developmental initiatives are yielding positive results, he said, adding that more than 13 million new bank accounts were opened for underprivileged people.

The monetary policies have started giving positive outcomes, inflation is coming down, and interest rate is showing a downtrend, Rahman said.

BB deputy governors SK Sur Chowdhury and Nazneen Sultana also spoke.

BAPA demands strict compliance with construction code

STAR BUSINESS REPORT

Bangladesh Poribesh Andolon (BAPA) has demanded the government form a compliance commission that would ensure strict implementation of national building codes and other applicable laws for industrial buildings.

BAPA organised a press meet, "Building Collapse: What to do to prevent disaster" at Dhaka Reporters Unity yesterday. Experts and green campaigners presented a set of recommendations to the government.

They demanded the government conduct a survey on all industrial buildings on a priority basis to detect vulnerable structures.

"The owners have to renovate or reconstruct all those vulnerable buildings that would be detected in the survey," said Architect Iqbal Habib, joint secretary of BAPA, in his keynote speech.

"Until and unless those buildings are renovated or reconstructed, it would have to be marked as illegal."

BAPA also demanded the government ensure accountability and responsibility of all concerned government officials and owners of any industrial or commercial unit for any accident, collapse or fire incident.

READ MORE ON B3

Call for abolishing Banking Division

Roundtable spotlights governance, reforms and bad loans

STAR BUSINESS REPORT

The government should abolish the Banking and Financial Institution Division under the finance ministry immediately to ensure better governance, especially in state-owned commercial banks, analysts said yesterday.

The division works as an avenue to achieve political agenda such as automatic monetisation of fiscal deficit, politically-motivated credit allocations and appointments of state banks' directors and top managers, they alleged.

"The banking sector is caught in dual regulation. Most regulations are handled by Bangladesh Bank and the rest by the finance ministry or the Prime Minister's Office," said Abu Ahmed, an economics

professor at Dhaka University.

It has created scope for scams such as the Hall-Mark scandal in the recent times, Ahmed said at a roundtable on banking governance: reforms and impacts.

The Institute of Governance Studies at BRAC University organised the roundtable at BRAC Centre Inn in the city.

Although the government corporatised the state banks in 2007, it failed to yield any good result due to poor management, Ahmed said.

The government may retain one or two banks' ownership with their authority if they want to materialise the political agenda and the rest should be privatised, he said.

State banks account for two-fifths of

all branches and a fourth of the total banking assets, said M Shahidul Islam, research fellow of Institute of Governance Studies.

The political violence and banking scams have already increased default loans both in public and private banks, he said.

Non-performing loans were recorded at 8.8 percent of total loans in 2012, up from 6.1 percent in the previous year, Islam said.

However, default loans were higher for the state banks last year: at 17.7 percent of total loans in 2012, up from 11.3 percent in 2011, he said.

In an effort since 2007, the government has strengthened the capital base of the state banks, said Md

Akhtaruzzaman, economic adviser of Bangladesh Bank.

He stressed the need for amending the Banking Companies Act as the existing law does not allow the central bank to take any punitive action against state banks.

"Article 46 of the banking company act should be abolished. If the law passed, we will get the sufficient space to regulate the state banks," said Akhtaruzzaman.

Khondaker Golam Moazzem, additional director (research) of Centre for Policy Dialogue, said most bank loans are diverted to trade credit due to being less risky.

Around 40 percent of the banks' total advances go toward trade credit, which is hampering industrialisation and real growth, he said.

আমরা শোকাহত

সভারের রানা প্লাজায় মর্মান্তিক দুর্ঘটনায়

হতাহতদের প্রতি

আমাদের গভীর সমবেদনা

নিউট্রাল ট্রাস্ট ব্যাংক লিমিটেড

Mutual Trust Bank Ltd.

you can bank on us

www.mutualtrustbank.com

CIMA

CHANGES PEOPLE'S LIVES

www.cimaglobal.com

+8801771778944

cima

Chartered Institute of Management Accountants