ASIAN MARKETS

MUMBAI

1.0%

TOKYO

0.40%

As of Friday

\$97.57

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DHAKA SUNDAY DECEMBER 15, 2013, e-mail:business@thedailystar.net

\$1,223.50

Banks' excess liquidity rises further

Poor demand for money amid political unrest is affecting their business

SAJJADUR RAHMAN

The sluggish demand for money has been affecting banks' business and swelling their unutilised funds, bankers said.

.....

CSCX

The banking sector had nearly Tk 83,000 crore in excess liquidity at the end of November, according to Bangladesh Bank data, reflecting a slowing demand for money in the market. The amount was Tk 80,000 crore in July.

Disbursement of industrial term-loan at Tk 8,880 crore for the July-September period of 2013 is also the lowest in the last five quarters.

"We have a huge liquidity and have given our branches loan targets for the first time," said Pradip Kumar Dutta, managing director of Sonali Bank, the country's largest bank in terms of branch network, deposits and many other indicators.

Nearly half of Sonali Bank's Tk 64,000 crore deposits remain idle now due to a weak demand.

The top management of the bank has asked their 1,203 branches to find out potential borrowers so that they can use the money to earn some profit.

The bank is now in a desperate move to give loans after building a strong deposit base following scams in 2012, but it is not getting clients, according to Dutta. Now Sonali Bank's loan-deposit ratio

(LDR) has gone down to only 53 percent,

meaning it lends Tk 53 against a deposit of Tk 100. Lending by private banks also remains subdued though their position is better

than that of public banks.

The economy has been suffering from series of shutdowns and blockades since the beginning of the year.

READ MORE ON B3

Student invents technology to produce world's 'cheapest' power

STAR BUSINESS REPORT

...... A Bangladeshi student has developed a system that can produce electricity without any fuel, claiming it to be the world's cheapest form of power.

CURRENCIES

BUY TK 77.25

SHANGHAI

V 0.31%

0.23%

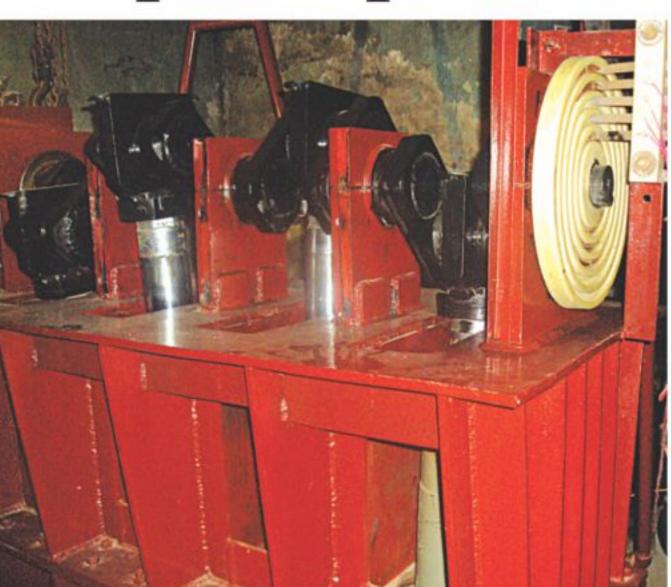
The system known as Heavy Circular Moving Object's Triggering Energy Conversion (HECMOTE) uses round objects moving on a plain exterior, to capture the surface's gravitational energy to run traditional generators to produce power.

"The technology is about converting gravitational energy into mechanical energy to generate electrical energy. It will not use any fossil fuel and thus, will not release any toxic elements into the atmosphere," said Shahid Hossain, inventor of the new technology, at a press meet at Dhaka Reporters Unity yesterday.

Gravitational energy is potential energy an object possesses because of its position in a gravitational field.

Hossain, who is studying for a diploma in electrical engineering at a technical college in Uttara,





ULTRAMAX

Energy conversion technology that can produce electricity without any fuel.

began work on his idea in 2007.

A 100KVA power plant adopting Hossain's technology was set up on an experimental basis in Tongi in 2011, which has been running successfully since then.

Hossain, 29, said the production cost of a kilowatt-hour of

electricity would be Tk 0.2 with his system, whereas it is Tk 14.46 per kwh for a diesel-run plant.

The production cost of a unit of electricity with other renewable energy sources is even higher than

that of the fossil fuel-run plants. The operation and maintenance costs are also much lower; a 100MW HECMOTE power plant will cost Tk 1.5 crore a month against Tk 5 crore of a diesel-run plant.

The diesel-run power plant consumes fuel worth Tk 144,000 an hour whereas the HECMOTE power plant will not use any fuel.

Rights groups slam WTO's Bali package

STAR BUSINESS REPORT

Rights groups yesterday criticised the World Trade Organisation's landmark Bali package due to the discretionary nature of the provisions extended to the leastdeveloped countries (LDCs).

One of the three pillars of the deal struck in Bali earlier this month, the LDC package offers duty-free and quotafree access to 97 percent of the items from LDCs to developed and developing countries, relaxed rules of origin and preferential access to richer countries' service markets.

But, there is no legally-binding clause, meaning the package's implementation depends upon the willingness of the developed and developing countries, said Rezaul Karim Chowdhury, chief moderator of EquityBD.

EquityBD is one of the 12 rights and civil society organisations that called a press conference in Dhaka on the outcome of WTO talks in Bali.

The usefulness of the package is "too vague" as a result, he added.

The deal, which was struck after round-the-clock negotiations, was met with a roadblock when Indian Trade Minister Anand Sharma refused to budge over food security rules.

India wanted a pact that would let developing countries buy as much crop as they want from farmers at subsidised rates for food security, but the US was worried that the excess stockholding might get dumped on the world market.

ers-their interests must be secured. For India, food security is non-negotiable," Sharma said in his speech to the WTO's ministerial meeting. Subsequently, the neighbouring country found itself

"Agriculture sustains millions of subsistence farm-

isolated at the conference in Bali over its defiant stance, and Barkat Ullah Maruf, coordinator of EquityBD, said the Bangladeshi delegation led by Commerce Secretary Mahbub Ahmed should have supported India in this issue.

"The role of Bangladesh delegation, therefore, needs to be criticised." Badrul Alam of Bangladesh Krishok Federation said

agriculture must be out of bounds of the WTO as it is related to the right to food. Maruf said the presence of the Bangladesh commerce

minister in the WTO delegation would have been beneficial, as the trade issues with other countries could then be resolved on the sidelines of the conference.

The keystone of the Bali agreement is trade facilitation, which calls for measures to cut red tape and streamline customs and port procedures to ease the movement of goods through national frontiers.

Substantial investment is needed to implement the agreement, and Maruf said a country like Bangladesh has other pressing areas for investment, particularly those

pertaining to trade alleviation. Chowdhury added that trade multilateralism will get

Current account surplus dips

The situation may worsen if political unrest lingers: IMF

-2,517

REJAUL KARIM BYRON

The current account surplus has decreased slightly due to a decline in remittance inflow and an increase in imports in the first four months of the current fiscal year. The International Monetary Fund said, if the political

unrest continues, the balance of payments (BOP) may come under further pressure. "Balance of payment pressures could also re-emerge if

the disruption leads to a loss in exports and more abrupt capital outflows," the IMF said in a recent report. Zahid Hussain, World Bank's lead economist in

Bangladesh, said the ongoing shutdowns and blockades have been seriously affecting both remittances and export earnings. Hussain said the export growth may not be sustainable

due to the unrest, and if it happens, the current account surplus may dip further. The surplus in the current account fell by around \$20

million to \$701 million in the July-October period of the current fiscal year, compared to the same period last year, according to central bank statistics. One of the major causes of the slide is a decrease in

remittances by about 10.09 percent during the period. Trade deficit fell by 23.40 percent but import rose by

around 8 percent, which was negative during the same period last year. During the period, export grew by about 17 percent,

which played an important role in bringing down the trade deficit.

However, the IMF sees a number of risks in maintaining the export growth.

Over the next few years, the garment industry is expected to consolidate with smaller noncompliant factories closing or being acquired by larger companies that have greater financial capacity to upgrade their premises and absorb the increase in operating costs, the IMF report said.

Industry estimates suggest that up to 60 percent of Bangladesh's garment factories (accounting for up to twofifths of total production) are housed in shared or converted buildings, rather than in purpose-built factories, it said.

These would likely be the focus for compliance initiative, the IMF said.

BALANCE OF PAYMENTS

IN MILLIONS OF DOLLARS / JULY - OCTOBER FY13 FY14 1,923 1,649 TRADE 721 701 BALANCE **CURRENT OVERALL ACCOUNT** -1,928

As a result of this adjustment, export growth may still remain somewhat subdued into fiscal 2014-15.

Hussain said the initiatives for the upgrades or compliance of the factories are being hampered due to shutdowns and blockades. He said if the compliance commitments are not

fulfilled by June next year, Bangladesh's GSP (generalised system of preferences) in the European market will come under threat. The WB lead economist said, apart from a fall in manpower export, remittance inflow is declining due to

political unrest, putting pressure on the current account balance. He said the diplomatic activities required to remove the

obstacles in increasing manpower export to Middle East countries are also being hampered as the government is only focusing on the national elections now. Hussain said, due to political unrest in the country,

many expatriate Bangladeshis are not sending remittances home and depositing those at safer places abroad.

Political unrest is also causing capital flight from the country which, Hussain said is a "flight to safety".

He said capital flight may put pressure on the BOP in many ways.

However, the IMF said remittances are expected to normalise from fiscal 2014-2015 as the demand for migrant labour improves driven by expected infrastructure

pay Tk 500cr fine for name change ABDULLAH MAMUN

BTRC asks Robi to

The telecom regulator has asked Robi to pay about Tk 500 crore in fines following an objection by the auditor general's office that the mobile operator had changed its name without informing the regulator.

Regulatory Commission, the regulator, that the audit authority's claim is "misplaced and based on misconceptions". According to the audit objection, the mobile operator

However, Robi told Bangladesh Telecommunication

changed its name on May 15, 2009 from TM International (Bangladesh) Ltd to AXIATA (Bangladesh) Ltd and informed BTRC the following month.

The objection also said the regulator fined the operator Tk 3 lakh, although the fine should have been Tk 500 crore according to a telecom ordinance of 2008.

So the audit body suggested the regulator collect the remaining amount of Tk 499.97 crore from Robi.

However, the regulator fined Robi Tk 3 lakh according to the telecom law of 2001, while the ordinance of 2008 formed by the caretaker government suggested Tk 500 crore

in fines for violating licence conditions. The telecom law was amended in 2010 and suggested fines up to Tk 300 crore for violating licence conditions.

However, Robi received the regulator's letter on October 14 this year and replied that "the auditing authority failed to appreciate that the change of name does not constitute violating the licence agreement."

"The licensing agreement did not contain any condition to the effect that a name change has to be approved by BTRC, since the change of company name is governed by the provisions of the Companies Act, 1994," Robi said in a letter.

The BTRC is a quasi-judicial body that fined Robi Tk 3 lakh and the audit body has no legal authority in this regard, the letter added.

"We believe the matter is closed."

Mahmudur Rahman, executive vice president of Robi, said, "The matter was sorted out many years ago. Why has it come up now?"







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