

এসআইবিএল

ইয়াং স্টার একাউন্ট

আকর্ষণীয় হারে মুনাফা প্রদান করা হয়

(হিসাবায়নে ইসলামী শরীয়া'র

মুদারাবা পদ্ধতি প্রযোজ্য)

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নাথারে কোন করে এসআইবিএল-এর

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BUSINESS

# Banks struggle as loan appetite diminishes

REJAUL KARIM BYRON

Banks are facing a huge mismatch between credit and deposit growth, which has not only affected their profitability but also hurt savers.

In 2013, bank deposits grew 16.26 percent and credit only 7.41 percent from a year ago, according to central bank statistics.

Though the banks' deposits increased, they are unable to invest the money, leaving them with excess liquidity of around Tk 90,170 crore on December 31, 2013. Subsequently, both the deposit and lending rates were slashed.

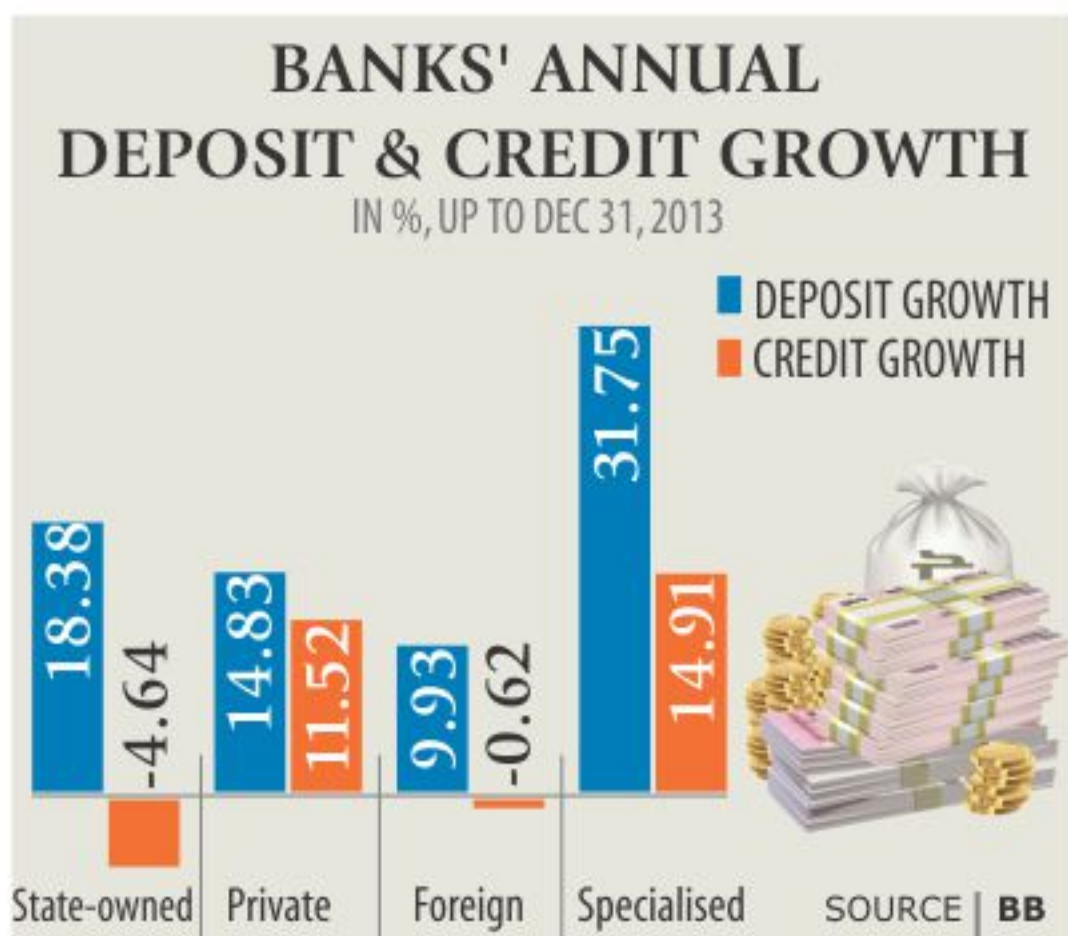
On average, the deposit and lending rates last December stood at 8.39 percent and 13.45 percent respectively in contrast to 8.47 percent and 13.8 percent a year ago.

As the deposits could not be invested, most of the banks have lowered the interest rate on them, a bank official said, adding that the rate of interest on term deposit in most of the banks is a maximum of 11 percent, which was more than 13 percent even a few months ago.

The state-owned banks, which have cut their rate of interest more than the private banks, have discontinued various deposit schemes using various excuses to check their losses.

Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS), said the investment demand was low for the last two years, but political unrest in the closing months of 2013 compounded it.

Bakht, who is also a director at Sonali Bank, the largest state-owned bank, said they are not getting



any application for term loans of late, while the demand for trade financing has also decreased.

The scams unearthed in the banking sector in 2012 had a lingering effect, prompting officials to exercise greater caution when giving out loans, he said.

Moreover, the higher-ups have taken off the authority from the lower echelons of the banks to grant loans.

To recover the losses from the idle deposit, the banks have been investing in the treasury bills and in the call money market, but the interest rate there has been low as well.

Subsequently, the Sonali Bank board has now urged the management to set targets for the bank branches, in a bid to speed up disbursement.

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## Bangladesh, India revive talks on transshipment

STAR BUSINESS REPORT

Bangladesh is in favour of extending transshipment facility to India in an effort to broaden regional trade connectivity, Commerce Minister Tofail Ahmed said yesterday.

Transshipment is the conveyance of goods or containers to an intermediate destination for delivery to another destination.

India has long been seeking to transport goods through Bangladesh to its 'Seven Sister' region, a cost- and time-saving route due to the country's proximity to the north-eastern Indian states than the rest of India.

Under the arrangement, Indian trucks would unload goods to the Bangladeshi border, for the local trucks to carry them over to the Seven Sister states, according to Ahmed.

"We would rather have a transshipment arrangement with India than transit," Ahmed said after a meeting with Pankaj Saran, Indian high commissioner to Bangladesh, at the secretariat.

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## Govt to make law to control import of infected fish

SOHEL PARVEZ

The government is set to frame a law to control the import of infected fish, a move that is expected to protect the fisheries and aquatic biodiversity from alien disease.

However, analysts said the initiative comes after damage has already been done to the local fisheries for allowing the entry of live fish without quarantines.

The Department of Fisheries has drafted the law, Fish Quarantine Act 2014, to develop facilities at ports to test imported live fish, aquatic animals, fish products and beneficial micro-organisms before clearance.

The diseases in shrimps and tilapia fishes were blamed on the import of infected fishes, Syed Arif Azad, director general of the department, said, adding that the law should have been enacted earlier.

In the past, when live fishes were imported without quarantines, diseases

affected the local fisheries and farmers.

An example is the white spot virus in shrimps, reported to have come from Thailand in the mid nineties, which caused huge losses to farmers, officials at the fisheries department said.

"Except for formalin tests, we have no facility to quarantine imported fishes at present, but it can be developed after the law is framed," Azad said.

Fish imports remain open at a time when Bangladeshi exporters have to pass various tests at home and abroad.

Quarantine facilities already exist for imports and exports of vegetables, fruits and seeds, while such facilities are being developed for livestock imports.

The draft law also states that no fish can be imported without permission from the authorities. Importers will also require certificates relating to the matter.

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## NBR seeks tax proposals for budget preparation

STAR BUSINESS REPORT

The National Board of Revenue has sought tax-related proposals from its field offices by Feb 28 as the revenue administrator is taking preparations for the next fiscal year's budget, an official said yesterday.

"The suggestions will help us in recommending changes to laws, rules and orders," the official said.

Opinions were also sought from chambers and trade bodies to make tax measures more business-friendly, the official added.

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## Monetary policy balanced: FBCCI

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry yesterday welcomed the new monetary policy of the central bank, terming it a balanced one.

The apex trade body, however, said the monetary policy statement for the second half of the current fiscal did not give any instruction about cutting down banks' lending rates, which are higher in Bangladesh compared to those of its competitors.

"As a result, by obtaining loans at comparatively lower rates, businesspeople of those countries are moving ahead in terms of competitiveness," the FBCCI said in a statement yesterday.

It said the higher lending rates would slow down investment, which in turn would stifle job creation and anti-poverty efforts and hinder economic growth.

The trade body said banks are also imposing various charges arbitrarily, which are increasing the cost of doing

### SUGGESTIONS

Banks' lending rates should be brought down



Interest rate spread should come down to 3 percent



Exchange rates should be kept stable

business. "As a result, it will be tough for Bangladeshi businesses to compete in the international market."

The interest rate spread, which is the difference between banks' borrowing and lending rates, should be brought down to 3 percent for the sake of investment, the FBCCI said. "Besides, the exchange rates should be kept stable."

On Monday, Bangladesh Bank announced its monetary policy for January-June, which targets bringing

down inflation to 7 percent, maintaining macroeconomic stability and spurring economic growth.

The FBCCI also praised the central bank's emphasis on raising investment, reducing inflation and increasing the private sector credit growth.

"Besides, the central bank has taken cautionary measures to keep the government's borrowing from the banking system in check, which will help bring down the public sector borrowing."

The trade body thanked the central bank for adopting a monetary policy which ensures balances among money supply, exchange rates and inflation rates, for the sake of investment and jobs.

The FBCCI said although the central bank had targeted private sector credit growth at 15.5 percent in July-December, the flow of credits to the private sector did not match the target due to deadly political activities, wobbly infrastructure and higher bank interest rates.

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## DSE moves to popularise shariah index

STAR BUSINESS REPORT

The Dhaka Stock Exchange has taken steps to familiarise the recently launched shariah-compliant index as an investment tool to institutions.

The premier bourse yesterday sat with Islamic financial institutions, including banks, non-bank financial institutions, insurance companies and asset management firms.

"We highlighted the key features of the shariah-based index to the top executives of the institutions and they expressed their interest in investing in the securities under the index," DSE President Ahsanul Islam said at a media briefing after the meeting.

The Dhaka bourse introduced the index—DSES Index—that was designed and developed by S&P Dow Jones Indices Methodology, a global leader in providing investable and benchmark indices for financial markets, on January 19. DSE's aim was to meet the requirements of the Islamic fund investors.

The DSE president said the representatives from the Islamic financial institutions would raise the issue with their respective boards to take investment decisions in securities.

The index was launched for people and institutions who want to invest in shariah-compliant securities and products, he added.

Some 70 listed companies are under the DSES Index that fell 0.9 points to 974 points in yesterday's trade.

An investor, individual or institution, will have to pay fees to know the companies under the index, but no one can disclose the names of the companies trading in the index, according to the DSE.

Companies engaged in advertising and media, news or sports channel, newspaper, alcohol, cloning, tobacco, gambling and trading of gold and silver are not included in the shariah index.

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