

BUSINESS

DHAKA SUNDAY SEPTEMBER 7, 2014, e-mail:business@thelystar.net

Japanese CEOs view Bangladesh as next investment destination

REFAYET ULLAH MIRDHA

Visiting Japanese business leaders yesterday demanded easing of investment rules as they look to divert funds to Bangladesh from China due to rising production costs and worker shortage there.

"We want to expand business in Bangladesh but we need policy support from the government," said Kuniharu Nakamura, president and chief executive officer of Sumitomo Corporation, one of the top three sogo shosha companies in the world.

Japanese companies that trade in a wide range of products and materials are known as sogo shosha. In addition to acting as intermediaries, sogo shosha also engage in logistics, plant development and other services, as well as international resource exploration.

Sumitomo, which has been in Bangladesh since 1961, is interested in helping the country achieve its goal of becoming a middle-income country by 2021, he said.

"If the government wants, we can help with the construction of railways and industrial parks. We are fully committed to contribute to its growth," he said, adding that the Japanese conglomerate has been providing scholarships since 1996 to 40 students in various faculties of Dhaka University.

Nakamura's comments came at the Japan-Bangladesh Business Forum at Sonargaon Hotel in Dhaka, attended by 22 CEOs and 65 other high officials of com-



Shinzo Abe

panies from Japan. They accompanied Japanese Prime Minister Shinzo Abe during his two-day visit.

The CEOs present were from: Marubeni, Ship Healthcare Holding, Maruhisa, Kanbe, JETRO, Mayekawa, Euglena, IHI, JFE Engineering Corporation, ITOCHU, Shimizu, Mitsubishi Heavy Industries, Toshiba, Toray Industries, Nippon Poly-Glu, Medical Corporation Otsubo-Kai, Obayashi, Mitsubishi UFJ Financial Group, Bonmax and Kume Sekkei.

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Informal trade of rice seeds rising in border areas: study

STAR BUSINESS REPORT

Informal trade of rice seeds has been rising in the border areas of Bangladesh and India in absence of formal trade, CUTS International said in a study.

Farmers of both the countries have to buy low-quality seeds of popular high

yielding varieties (HYVs) from the informal market, the study said.

"Formalising HYV rice seeds trade between the two countries will take agricultural cooperation to a higher level and make quality seeds more accessible," according to a joint communiqué.

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Coca-Cola to adopt traffic light health labels in UK

Coca-Cola will adopt government recommendations and introduce traffic light nutrition labels on the front of its cans and bottles. It had previously rejected the plans. --BBC NEWS

Non-banks on a more stable financial keel than banks

REJAUL KARIM BYRON

Non-bank financial institutions' default loans did not increase as much as banks in the first six months due to low volumes of loan portfolio.

Between December 31 last year and June 30 this year, the NBFIs' default loans increased 4.69 percent in contrast to banks' 26 percent.

At the end of June, their default loans stood at Tk 1,850 crore, which is 5.4 percent of their total credit. On December 31 last year, defaults amounted to Tk 1,767 crore, 5.58 percent of their total credit.

Bank officials said the default loans of the NBFIs increased at a lower rate as their loan volume is smaller than banks'. On June 30, the total outstanding loans of banks stood at Tk 34,168 crore, 8.5 percent of their total advances.

Of the 30 NBFIs, 10 had default loans upwards of 10 percent.

Asad Khan, chairman of the Bangladesh Leasing and Finance Companies Association, said though bad loans of NBFIs increased slightly, it is much better than that of banks.

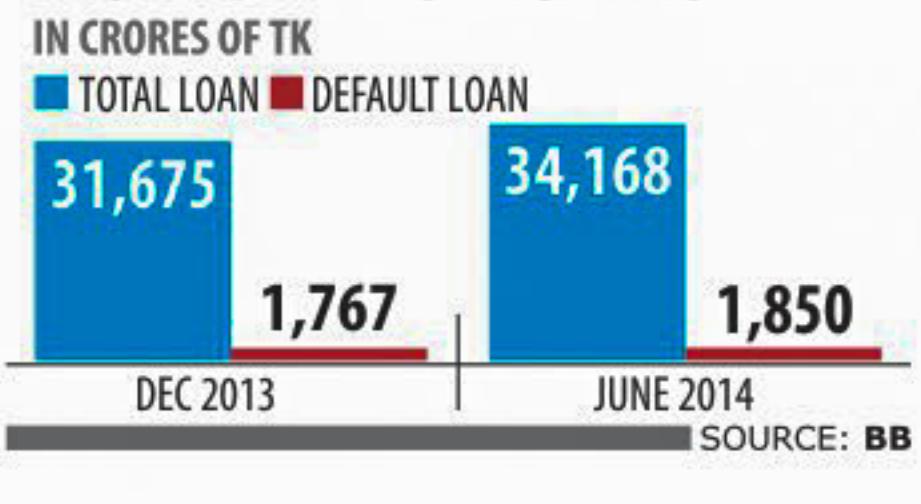
"We have seen nothing like the recent scams in banks in issuing loans in the NBFIs."

Khan, also the managing director of Prime Finance and Investment Ltd, said the NBFIs were cautious in disbursing loans, keeping their default rates low.

He, however, expressed concern about the narrowing of the playing field for the financial sector in general. At present, 56 banks and 31 NBFIs operate in the country.

While the number of institutions has increased, business has not increased pro-

NON-BANKS' LOANS IN CRORES OF Tk



portionately, according to the Prime Finance MD.

Meanwhile, owing to their default loan portfolio, the NBFIs' capital position is improving by the day. Last year, the NBFIs' capital base increased 17.7 percent year-on-year to Tk 7,280 crore.

"The trend of increasing capital shows the moderately sound financial base of NBFIs," said the central bank's Financial Stability Report published last week.

In 2013, the NBFIs' total operating profit increased 47 percent to Tk 1,660 crore.

The major funding sources of NBFIs are: capital, term deposits, credit facilities from banks and other NBFIs, call money, bonds and securitisation.

NBFIs are allowed to mobilise term deposits only with tenure no less than six months. Banks also invest in bonds/debentures issued by NBFIs, which is another source of funds.

The loans disbursed by the NBFIs though are concentrated in a few sectors.

Around 15 percent of the loans extended by NBFIs went to trade and commerce, 12 percent to power, gas, water and sanitary service, 12 percent to housing and 9 percent to garment and textile sector, according to the central bank report.

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