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Star BUSINESS

DHAKA TUESDAY SEPTEMBER 9, 2014, e-mail: business@thedailystar.net

Non-banks hit a rough patch

Fierce competitive, low demand put their profitability at stake

SAJJADUR RAHMAN

Profitability of non-bank financial institutions is shrinking though their management strives to extract profits from a dull market this year, industry insiders said.

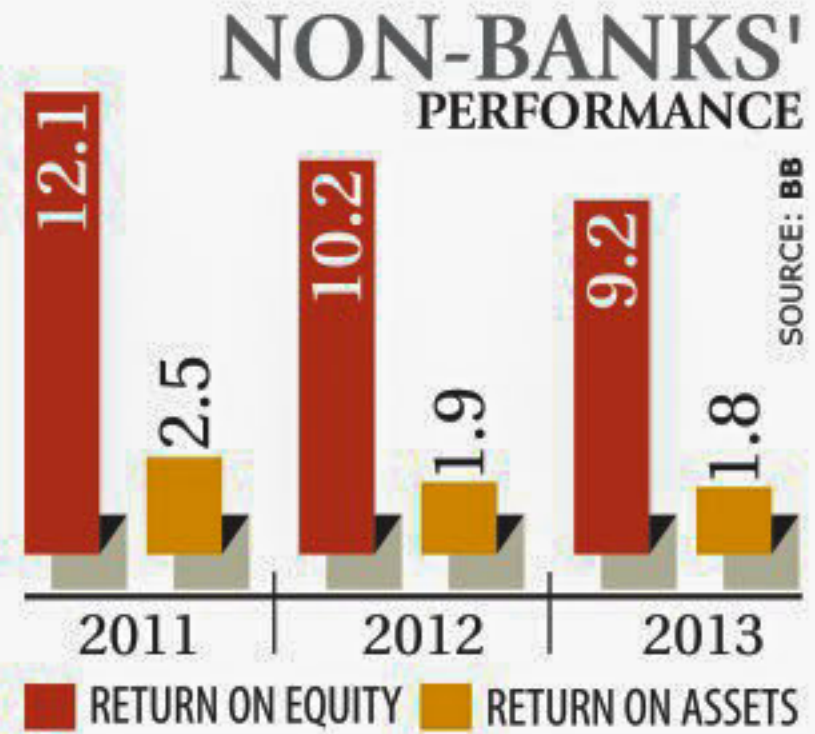
The situation is getting aggravated further due to early payoffs of loans by relatively good corporate clients.

"Banks, which are facing a dearth of business, are taking away our clients (credit lines). We cannot compete with banks as our cost of fund is higher than that of banks," said Asad Khan, managing director of Prime Finance.

Khan, also the president of Bangladesh Leasing and Finance Companies' Association, said some of this company's borrowers paid off loans worth around Tk 100 crore so far this year.

Almost all the 31 non-banks, except for a few who were able to collect deposits directly, are facing the same challenge, due to a poor demand for money from businesses.

The dull business and sliding profit of the non-banks were also evident in the latest Bangladesh Bank report released last week.



Their return on assets (ROA) and return on equity (ROE) that give an indication of an institution's profitability fell by 28 percent and nearly 24 percent respectively in two years, according to the BB report.

The ROA was 2.5 percent in 2011, but it came down to 1.9 percent in 2012 and 1.8 percent in 2013.

In other words, a non-bank made a profit of Tk 1.8 for every Tk 100 it invested in its assets in 2013, down from Tk 2.5 two years ago.

The ROE, also known as return on investment, has also been declining since 2011. Their ROE slid to 9.2 percent in 2013 from 12.1 percent in 2011, meaning their net income

returned as a percentage of shareholders equity fell by nearly 24 percent in just two years.

Industry players blamed the poor business on the tedious economic conditions that started with the stockmarket debacle in 2010 followed by last year's political crisis.

The investment situation did not improve much even after eight months of the national elections in January, they said.

In addition, nine new banks that started operations last year to take the tally of scheduled banks to 56 have further intensified the competition between banks and non-banks in netting new clients.

Stringent rules introduced by the regulator are also taking a toll on the business of the non-banks, officials said.

"We are struggling to survive. Our margin has gone down significantly and we are being forced to cut jobs," said Asaduzzaman Khan, managing director of IIDFC.

Some clients, especially the good ones, are paying their loans off, he said. "We are trying to retain the customers by offering lower rates of interest."

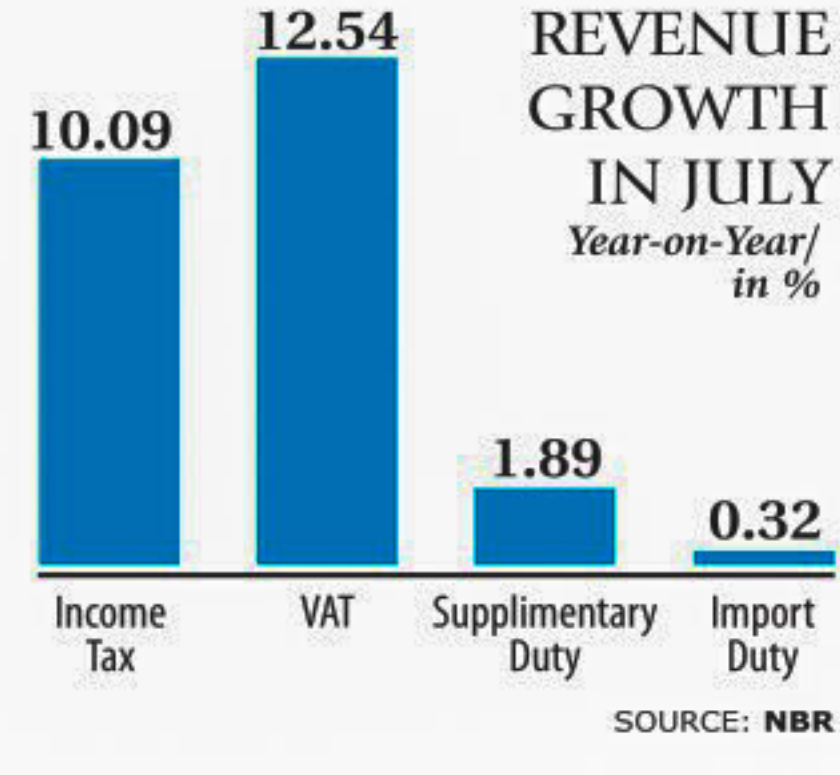
Tax collection off to a slow start

REJAUJIL KARIM BYRON

The tax authority's ambitious collection target for the fiscal year started off on a dispiriting note, with a shortfall recorded in the opening month.

In July, the National Board of Revenue collected Tk 7,988 crore against the monthly target of Tk 9,053 crore, due to weak receipts from value-added tax and supplementary duty. The figure is 8.54 percent higher than a year ago.

VAT and supplementary duty collec-



tion at the local level stood at Tk 3,73 crore last year, which, although a year-on-year increase of 7.76 percent, fell short of July's target by Tk 606 crore.

Income tax raked in Tk 2,080 crore, which is an improvement of 10.09 percent over July 2013's collections.

At the import level, revenue collection stood at Tk 3,158 crore, which is a deficit of Tk 384 crore from the target but a growth of 7.76 percent over previous year.

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RANA PLAZA 332 victims compensated

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SOURCE: CLEAN CLOTHES CAMPAIGN

REFAVET ULLAH MIRDHA

The ILO-managed Rana Plaza Trust Fund awarded Tk 10.79 crore last month to the first batch of 332 victims of the building collapse, said Srinivasa Reddy, country director of the International Labour Organisation in Bangladesh.

The fund will soon be transferred to the victims' fixed deposit accounts with Dutch Bangla Bank, he said.

"The fund was supposed to be transferred a lot earlier, but it was delayed due to conversion of their savings accounts into fixed deposit ones," Reddy told The Daily Star by phone.

The Rana Plaza Coordination Committee, formed to complete the compensation process, decided to pay through

fixed deposit accounts as such accounts will yield better returns for the victims, he said.

"We will pay another 800 victims by the 20th of this month," Reddy said.

The coordination committee has so far identified more than 3,600 victims, including workers, their relatives and dependants.

The committee will wait for a few more days to finalise the list of the victims so that nobody is deprived of compensation, Reddy said. The ILO will also publish advertisements in newspapers to look for any missing victim, he said.

On the release of promised funds by international retailers and brands, Reddy said the \$40-million Trust Fund so far collected only \$17.9 million and no new amount came since April.

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Destiny seeks licence to do MLM business

STAR BUSINESS REPORT

Controversial business group Destiny has sought a licence from the government to do business based on multi-level marketing system as its property worth hundreds of crores of taka is being looted in absence of adequate protection.

A number of distributors of Destiny Group made the plea at a press briefing at Dhaka Reporters Unity yesterday.

Destiny was engaged in MLM business although there were no rules for such business in the country. The government last year introduced a law to bring MLM companies under a legal framework and impose a ban on pyramid selling.

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Shurwid flies high on debut

STAR BUSINESS REPORT

Share prices of Shurwid Industries rose nearly five times to Tk 48.2 yesterday during its trade debut on stock exchanges.

Listed with a face value of Tk 10 each, share prices of the PVC products manufacturer oscillated between Tk 50.5 and Tk 33.3, before closing at Tk 48.2 on the Dhaka Stock Exchange.

A total of 17.87 lakh shares traded on the premier bourse, generating a turnover of Tk 25.83 crore.

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