

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
Closed	Closed	\$1,205.54 (per ounce)	\$59.31 (per barrel)	2.33%	1.39%	0.37%	0.58%	BUY TK 76.90	82.30	112.51	0.63
				27,457.58	19,471.12	3,431.59	3,682.10	SELL TK 77.90	86.30	116.51	0.67

সমৃদ্ধির খোঁজ **দ্বিগুণ আয়ের শ্রেষ্ঠ উপায়**

মুদারাবা দ্বিগুণ বৃদ্ধি ডিপোজিট স্কিম

সর্বাধিক প্রযুক্তি ও সমৃদ্ধ ব্যাংকিং সেবায় আমানত দ্বিগুণ করুন স্বল্পসময়ে



ইসলামী শরী'আহ মুদারাবা নীতির ভিত্তিতে পরিচালিত

বে কোন প্রয়োজনে ০৯৬১২০০১১২২

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Cost of debt swelling

REJAUL KARIM BYRON

The government's debt servicing costs are set to balloon after sales of high interest-bearing savings instruments rocketed in the first eight months of the fiscal year.

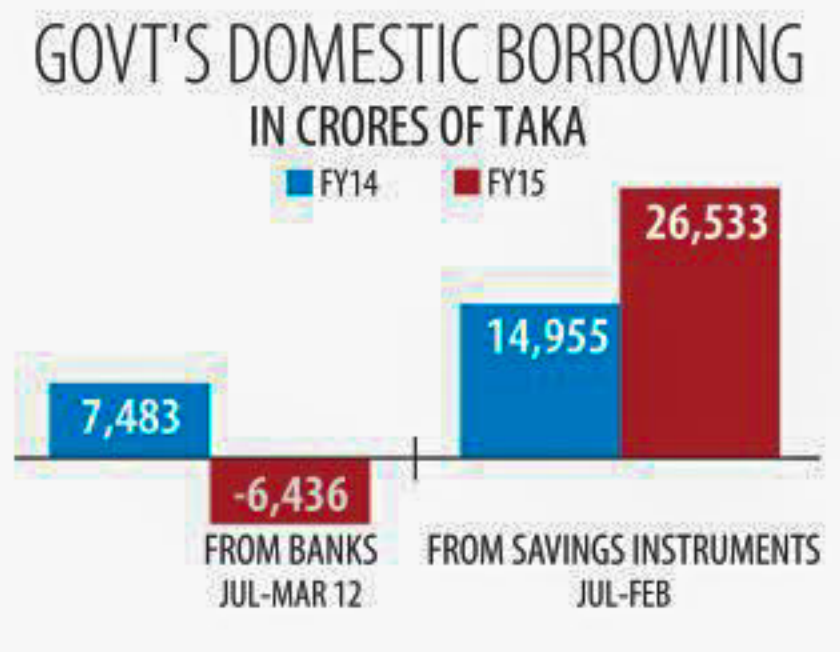
Between July last year and February this year, sales of savings instruments soared 77.41 percent year-on-year to Tk 26,533 crore, according to statistics from the National Savings Directorate.

Sales of 'Paribar Sanchay Patra' from which the savers get the highest interest rate of 13.45 percent stood at Tk 9,480 crore in the same period.

The development is a massive setback for the government, which aimed to keep the net borrowing through savings instrument within Tk 9,056 crore this fiscal year.

The rise in savings instrument sales means the government's borrowing from the banking system was less.

The rate of interest on savings instrument is between 12 percent and



14 percent, but in case of borrowing from banks it is 7-8 percent.

Subsequently, the government aimed to borrow Tk 31,221 crore from banks in fiscal 2014-15.

But so far this fiscal year, the government did not borrow from the banking system; rather, it repaid its debts.

Between July last year and March 12 this year, the government paid back Tk 6,436 crore to banks, according to central bank statistics.

During the same period last fiscal year, the government borrowed Tk

7,483 crore from the banking system.

Zahid Hussain, lead economist of the World Bank's Dhaka office, said the government's expenditure on interest payment will increase next fiscal year with the rising savings instrument sales.

The low petroleum price in the international market and the resultant drop in subsidy costs have presented the opportunity to create fiscal space for priority expenditure.

"But it looks like it will shrink due to an increase in costs over debt service payment."

The government's expenditure on interest payment for savings instrument increased 23.68 percent to Tk 6,108 crore in the first eight months of the fiscal year, according to data from the Savings Directorate.

Last fiscal year, domestic borrowing shot up; so much that the government had to increase the allocation for interest payment in the revised budget.

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Commercial papers set to become hot cakes: ACI

SUMAN SAHA

The commercial paper (CP) market is likely to expand about 29 times to Tk 10,000 crore in the next five years for the low cost and easy access, according to a study by ACI, one of the leading conglomerates of the country.

CP is a short-term unsecured debt instrument issued by corporates to meet their interim financing needs. The debt is issued at a discount from the prevailing market interest rates.

"Given the 5-7 percent interest rate spread in Bangladesh, we see huge prospects for CP," said Abu Hasan Zaman, corporate treasury manager of ACI, who supervised the study.

With CP, companies can now get funds at 10-10.5 percent interest against the normal lending rate of 12-15 percent, he said.

Since its introduction in the country in October 2013, at least four companies have raised Tk 345 crore through six CPs, with half of the funds collected in just the last four months.

ACI issued the country's first-ever CP, where Eastern Bank worked as the lead arranger and agent.

The company has so far raised Tk 200 crore by issuing three CPs, both secured and unsecured, said its corporate treasury official.

"Our inaugural CP was backed by bank guarantee, so it basically became an investment against a credit exposure of a bank," said Zaman.

Then early this month, the conglomerate launched its first unsecured CP. IDLC Finance worked as an agent for the issuance.

An unsecured CP is one which does

ACI issued the country's first-ever CP, where Eastern Bank worked as the lead arranger and agent. The company has so far raised Tk 200 crore by issuing three CPs, both secured and unsecured

ing nowadays, he added.

The study also urged the Bangladesh Bank to come up with a comprehensive guideline for CPs to avoid malpractices.

"We should be very calculative before issuing and investing in CPs. One or two bad experience may erode investors' confidence, which will limit the market growth."

The expected guideline from BB may need to consider a number of issues such as credit rating, eligibility of issuer and subscriber, size of the issue against balance sheet, denomination, tenure, redemption process, auditor, company status (listed/non-listed), clean CIB, bank overdue record for last few years and tradability in secondary market, he said.

BB will provide all sort of support to promote CP as it wants to expand money market products in the country, said Biru Paksha Paul, chief economist of BB, adding that he will raise the issue in the next senior management team meeting with the governor.

The Reserve Bank of India introduced CP in 1990 in a bid to enable the high-rated corporate borrowers to diversify their sources of short-term borrowings and provide an additional instrument to investors. RBI also issued a guideline in this regard.

In India, the average outstanding CP in a year is around Rs 250,000-375,000 crore, which has been growing at 20-30 percent in the last 20 years, according to the study.

suman.saha@thedailystar.net

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Furniture makers see good overseas sales ahead

MD FAZLUR RAHMAN

Bangladesh's furniture sector could emerge as a major exporter in five years, as manufacturers have already strengthened their capacities to grab a share of the global market.

"We have potential. We can raise our share, riding on our advantage in the area of labour costs," said KM Akhtaruzzaman, chairman of Akhtar Group.

The quality of the furniture produced by Bangladeshi companies is on par with international standards, while prices are lower, he added.

Nazrul Islam, general manager of Furnitec Industries Ltd, said, "International buyers can't believe their eyes when they see that Bangladesh is capable of producing such high quality furniture."

Furnitec, which produces mostly office furniture, has exported its products to Japan, the US and the UK.

They spoke to The Daily Star on the sidelines of a three-day Bangladesh Furniture and Interior Decor Expo at Jamuna Future Park in Bashundhara, Dhaka.

The fair, which ended yesterday, was organised mainly to showcase to international buyers the country's strength in furniture making. A large number of foreign visitors and buyers had visited the fair venue.

Local furniture makers Hatil, Brothers Furniture, Nadia Furniture, Furnitec, Navana, Athenas, Regal and Partex had set up pavilions to showcase their products.

Akhtaruzzaman, the country's first furniture exporter, began exporting furniture in 1995. At present, about 40 companies export products to 46 countries, with the Middle East being a major buyer.

Asian countries are now the main suppliers of furniture to the global market worth around \$350 billion. However, Bangladesh has a nominal share; it was \$42.58 million in 2013-14.

Although Bangladesh's presence in the international market is insignificant, the sector has come a long way from carpentry-based small shops in the last couple of decades.



Visitors check out the Nadia Furniture stall at the three-day Bangladesh Furniture and Interior Decor Expo at Jamuna Future Park in Dhaka.

Bangladesh relied heavily on furniture imports till 2000, buying 65 percent of its furniture less than two decades ago. But imports have now dropped to 10 percent, thanks to a number of high-quality local manufacturers.

The local market grew from Tk 3,000 crore to Tk 22,000 crore annually, said Akhtaruzzaman, also the president of Bangladesh Furniture Exporters Association.

He said the sector would be the second largest export item of the country after garment. The government needs to come up with policies and cash incentives so exporters can be competitive in the global market.

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Brac Bank, Transfast launch direct deposit service

STAR BUSINESS REPORT

Transfast and Brac Bank have launched online money transfer services for customers of the US-based company, enabling them to make direct deposits into the accounts of the Bangladeshi bank.

Under the partnership, Transfast customers will be able to send money online, via mobile or through agent locations around the globe to the Brac bank accounts of their friends and family in Bangladesh.

The beneficiaries will receive the money in their accounts right away or can choose to pick up the amount within minutes at thousands of convenient locations throughout Bangladesh.

In addition to direct-to-bank deposits, Transfast customers can pick up cash from any of Brac Bank's 166 branches, 50 SME unit offices and more than 100,000 agents of bKash, the country's leading mobile-based financial service provider owned by Brac Bank.

"Brac Bank is one of the leading banks in Bangladesh and a pioneer in sophisticated technology in serving all its clients, and we are excited to offer our customers the ability to deposit money instantly and securely there," said Samish Kumar, CEO of Transfast, a US-based company.

An official of Brac Bank yesterday said the two parties struck a deal about four years ago. Until now, the beneficiaries needed to visit a branch to receive the amount they were sent from abroad.

But under the new arrangement, the customers will receive the money directly into their accounts, which will save their time, he said.

In 2014, the country saw some \$15 billion in remittances flow into the country, making it the world's eighth-largest remittance corridor, according to the World Bank.

Brac Bank, the country's largest SME lender, currently accounts for almost 4 percent of the total remittances to Bangladesh.

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Bikroy.com among top 3 internet sites: survey

STAR BUSINESS REPORT

Bikroy.com, the largest online marketplace in the country, is ranked among the top three internet sites identified by consumers, a recent survey reveals.

Around 53 percent consumers referred to Facebook and 18 percent pointed to search engine Google when they were asked about online brands.

Bikroy.com stands third in customer awareness with a 10 percent response rate, where Gmail received only 4 percent referrals, according to the 'top of mind awareness' study by MRB Bangladesh, a market research company.

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