STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)	USD	EUR	GBP	JPY
DSEX ▼ 0.44% 4,513.97	CSCX ▼ 4.33% 8,406.65	Gold ▼ $1,064.60 (per ounce)	Oil ▲ $38.34 (per barrel)	MUMBAI ▲ 0.68% 25,320.44	TOKYO ▼ 1.68% 18,565.90	SINGAPORE ▲ 0.02% 2,815.52	SHANGHAI ▼ 0.29% 3,510.35	BUY TK	78.25	84.79	117.44	0.63
								SELL TK	79.25	88.79	121.44	0.66

Star BUSINESS

DHAKA WEDNESDAY DECEMBER 16, 2015

Bullish on Bangladesh

The WB chief economist wraps up his visit amid optimism

STAR BUSINESS REPORT

Bangladesh is financially very stable but it has to be very cautious to keep up the stability, Kaushik Basu, chief economist of the World Bank, said yesterday.

"Your economy is rising, but on the other hand, Brazil's is declining. So the global situation is still very difficult," he said at a media briefing at Bangabandhu International Conference Centre as he wrapped up his four-day visit to Dhaka.

Any global fluctuation can affect Bangladesh, as it is still a developing country.

Basu said he checked statistics on Bangladesh before the visit, so he was well aware of the country's advancement on the economic and social fronts.

But his visit has made him even more upbeat: Bangladesh is on the cusp of a take-off and will become one of the new Asian Tigers.

"Now it is time for the people of Bangladesh to feel that they have the reason to be ambitious," he said, adding that the progress will be more rapid if the people realise that it is possible to grow faster from here onwards.

However, there are two major challenges: infrastructure and making business processes faster and efficient by cutting red tape.

He said a lot of attention has been paid to infrastructure, but Bangladesh has to take bigger strides.

Basu, who is the first WB chief economist from India, said all the countries in South Asia lag in the multilateral lender's 'Doing Business' index.

"Our bureaucratic processes have to be quick and efficient. There is a need for regulations in modern economies, but the paperwork should move faster."

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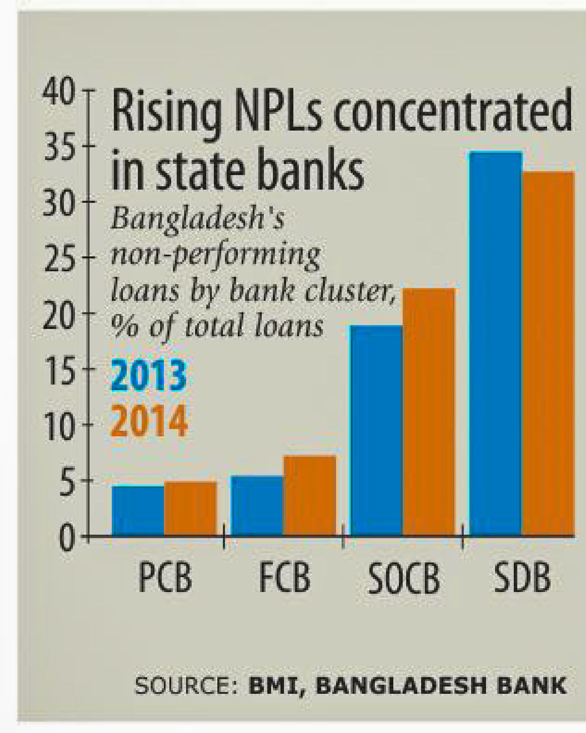
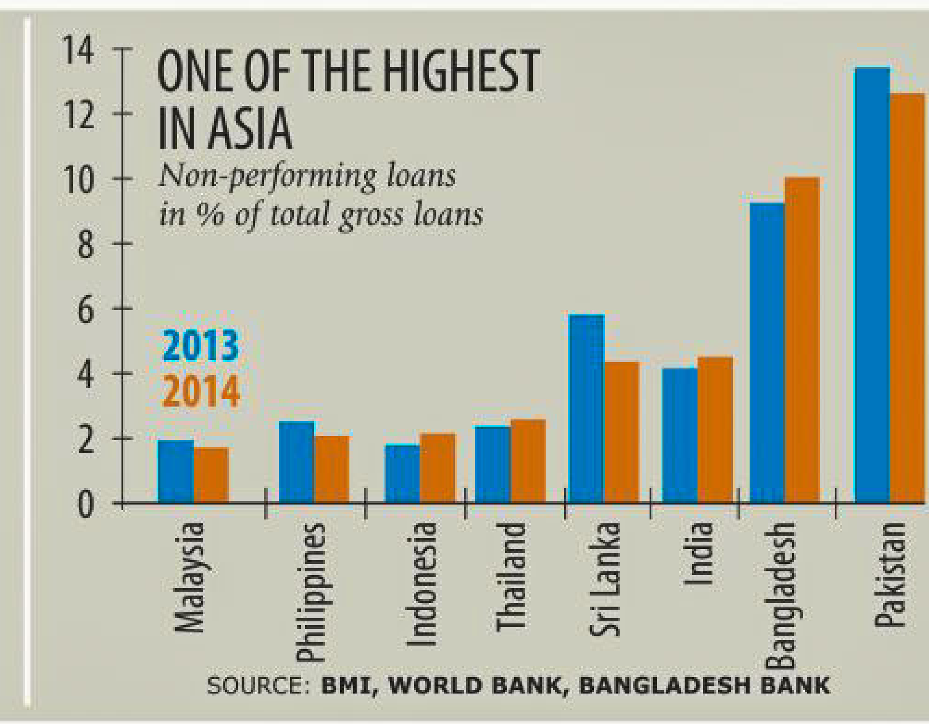
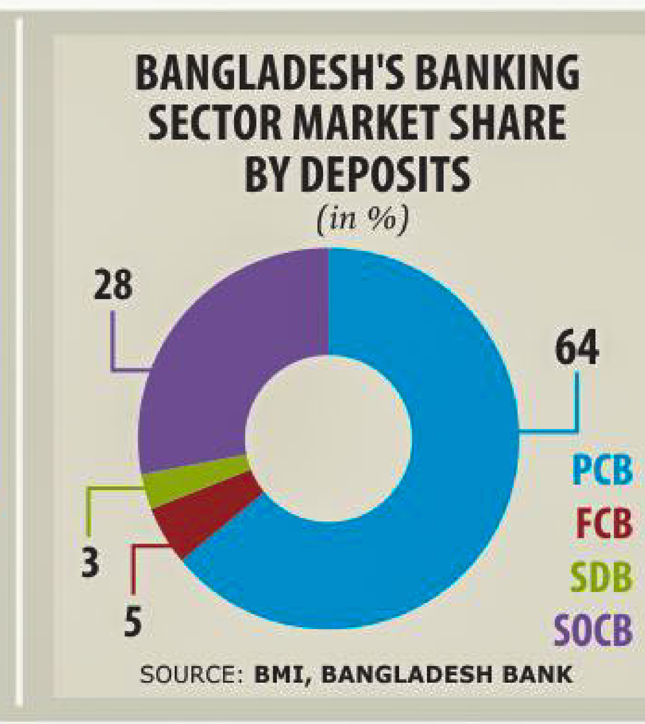
Kaushik Basu

Banking outlook not so bright

London-based BMI Research points to weaknesses of state banks







STAR BUSINESS REPORT

Bangladesh's banking sector remains one of the weakest in the region because of weak asset quality, poor capitalisation and low profitability, particularly in the state banks, according to an analysis.

London-based BMI Research, a company of Fitch Group, said: "Going forward, we maintain our bearish view of the banking sector as profitability and solvency will remain key challenges amid weak standards of corporate governance and underdeveloped risk management systems."

Although the improved political climate in Bangladesh should be positive for the business environment, which will in turn help to boost credit growth, a rise in domestic security threats pose downside risks, it said in an analysis last week.

Bangladesh's banking system is made up of 56 banks, which include six state-run commercial banks, two specialised banks, 39 private commercial banks and nine foreign banks.

Based on total deposits, the six state commercial banks accounted for 28.3 percent of the market in June 2015.

The state banks have been losing their market share to private sector players over the years, although they are still the dominant players.

Various efforts have been taken to turn around the poorly managed state banks, such as converting them into limited liability companies and appointing new management. But BMI Research said the progress has been slow.

Non-performing loans are predominantly concentrated among the state commercial and specialised banks, where the ratio of bad loans to total loans stood at 22.2 and 32.8 percent respectively.

NPLs in the banking sector stood at 9.7 percent in the central bank's 2014 Financial Stability Report released in July. It was 4.9 percent for private banks and 7.3 percent for foreign banks.

Moreover, more than 80 percent of the NPLs are in the bad loan category, which are typically unrecoverable, according to the analysis.

"Bangladesh's banking sector has been plagued by weak capitalisation and poor risk management, and moving forward, we do not expect these problems to be resolved anytime soon."

Under the Basel-III framework, banks are legally required to maintain a capital to risk-weighted assets ratio (CRAR) of at least 10 percent and tier-1 capital ratio of at least 5.5 percent.

Although the banking sector as a whole is able to maintain its CRAR above the minimum legal requirement, nine out of the 56 banks were non-compliant, and the banking sector aggregate CRAR stood at just 10.3 percent as of June 2015, just above the official requirement.

This could pose substantial risks to the financial stability in Bangladesh, given the high tendency for loans to turn sour, according to the analysis.

Citing a stress test conducted by the central bank, BMI Research said an increase in NPLs by 3, 9, and 15 percent would result in the failure of 7, 21 and 29 banks, respectively.

READ MORE ON B3

Book building method a must for IPOs with premium prices

STAR BUSINESS REPORT

Companies that will offer primary shares with premium prices will have to follow the book building method to raise capital from public.

Bangladesh Securities and Exchange Commission has made the system mandatory for the premium seekers to ensure the accountability and responsibility of issuer companies, issue managers, auditors and other stakeholders.

Book building is a process through which an issuer attempts to determine the price to offer for its security based on demand from institutional investors.

The price of an IPO share is determined through automated bidding joined by different financial institutions.

The shares are then opened for the IPO participants at the bidding cut-off price.

The method was suspended and then revised by the regulator following the 2011 market crash.

Previously, the book building method was not mandatory for companies that raised capital from public through issuing primary shares with premium price in addition to the face value.

The BSEC made the obligation after revising its public issue rules, a draft of which was approved at a meeting of the stockmarket regulator last week.

The regulator is now receiving public opinion on the changes. After scrutinising the opinion, the BSEC will finalise the rules and will issue a gazette on it.

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BSRM launches new high-strength rod

STAR BUSINESS DESK

BSRM yesterday launched a new rebar of grade 80 steel—Maxima—to cater to the growing needs of mega construction projects in Bangladesh.

Rebar is a reinforcement steel rod used in structures such as nuclear power plants, big flyovers, skyscrapers, tunnels and bridges, BSRM, the country's largest steelmaker, said in a statement yesterday.

Maxima conforms to ACI 318-14 and ASTM A706/A615, and its yield strength exceeds 80 kilopounds per square inch, according to the statement.

"Bangladesh is now taking up some mega structures. Tall buildings, nuclear power plant, large river bridges and tunnels are the perfect example where BSRM Maxima can be used," said Aameir Alihussain, managing director of BSRM Group.

He spoke at a seminar on high-strength steel reinforcement, organised by BSRM, at Sonargaon Hotel in Dhaka.

The seminar showcased an experimental study conducted at the laboratory of Bangladesh University of Engineering and Technology and sponsored by BSRM.

"When we launch a new product, it means it is the outcome of long research of successful trial production, experiment and extensive study," said M Firoze, head of marketing and product development at BSRM.

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Reforms crucial for better tax management

Analysts say at discussion on tax monitoring

STAR

Analysts take part in a discussion on tax monitoring, organised by SUPRO, a nongovernmental organisation, at The Daily Star Centre yesterday.

STAR BUSINESS REPORT

The tax-GDP ratio needs to be raised at least 5 percentage points from its current level to reduce deficiencies in national budget, Muhammad Abdul Mazid, former chairman of the National Board of Revenue, said yesterday.

At present, the ratio is 11 percent.

"The global standard for the tax-GDP ratio is 16 percent, so we need this ratio to reduce the deficiencies in the budget," Mazid said at a discussion on fair tax monitoring in Bangladesh.

The discussion was organised by SUPRO, a nongovernmental organisation that campaigns for good governance, at The Daily Star Centre.

For that end, massive reforms to bring transparency in tax management are needed, he said.

The tax-GDP ratio is an economic measurement that compares the amount of taxes collected by a government against the gross domestic product. It gives a rough idea of how much the economy is fuelled by its tax collection.

Bangladesh's low tax-GDP ratio indicates that tax is mainly paid by a small section of the society, although many have the capability to do so, according to Mazid.

One of the worst weaknesses in Bangladesh's tax management system is circulating statutory regulatory orders to exempt individuals, importers or enterprises from paying taxes, he said.

The SROs are never discussed in parliament: they are simply passed without any discussion. This is how transparency and accountability are lost in tax management, he said.

The lack of human resource is another weakness in tax management. As a result, the revenue collectors rely on source tax, which accounts for 70 percent of the total revenue in a year.

Before 1947, in an undivided India, the tax collectors used to get a cut from the amount they collected.

Thanks to this option, the revenue officials were more attentive in their jobs and collected more taxes.

Now that this option has been withdrawn, the revenue officials try to make extra money in different other ways, and most of the time, it happens to be through mismanagement of the tax money, he added.

Many taxable persons do not pay tax, which is one of the major reasons for the lower tax-GDP ratio, said Towfiqul Islam Khan, research fellow at the Centre for Policy Dialogue.

Another reason for the low trend is that very few businessmen pay the indirect taxes and in the majority of the cases, the burden has to be borne by the consumers themselves, Khan said.

The perception in Bangladesh is that paying taxes means expenditure and people always want to increase their earnings, he said.

The Bangladeshi standard for tax exemption is much lenient than the international standards, he said, adding that the cases are not widely discussed in parliament.

Furthermore, the taxpayers are never informed where their money is being spent.

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Stocks bleed for seventh day

STAR BUSINESS REPORT

Stocks extended their losses to the seventh day amid falling investor confidence in the market.

DSEX, the benchmark index of Dhaka Stock Exchange, declined 19.93 points or 0.43 percent yesterday, finishing the day at 4,513.97 points.

Investors were yet to find a solid ground to ignite their investment mindset, amid lack of economic optimism and vapid capital market outlook, said IDLC Investments, a merchant bank.

Turnover, another important indicator of the market, fell 3.06 percent to Tk 324.67 crore shares and mutual fund units changing hands on the DSE.

Of the traded issues, 92 advanced and 177 declined with 48 securities closing unchanged on the premier bourse.

Beximco Pharma dominated the turnover chart with 24.69 lakh shares worth Tk 20.77 crore changing hands, followed by Quasem Drycells, Square Pharma, Emerald Oil and Singer Bangladesh.

Among the major sectors, the cement sector took the biggest hit with a 1.6 percent decline in market capitalisation, followed by non-bank financial institutions that lost 1 percent, food and allied 0.96 percent and banks 0.21 percent.

Conversely, the engineering sector and mutual funds rose 0.35 percent and 0.33 percent.

Quasem Drycells was the day's best performer with a 7.96 percent gain, while Regent Textile was the worst loser, shedding 9.41 percent.

Chittagong stocks fell slightly with the bourse's benchmark index, CSCX, declining by 4.32 points or 0.05 percent to 8,406.64 points.