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# Star BUSINESS

DHAKA SUNDAY MARCH 20, 2016

## State banks miss out on WB's low-cost funds

**SAJJADUR RAHMAN**  
State banks plagued with bad loans are not eligible to disburse the World Bank's low-cost foreign currency long-term funds among manufacturers.

WB took the initiative last year to channel long-term loans to the manufacturing sector. But eight state banks are not eligible for the funds due to their high non-performing loan ratio, said Subhankar Saha, executive director of Bangladesh Bank and project director of the Financial Sector Support Project that runs the programme.

Already 21 private banks have signed participatory deals with the BB to use the loans for their clients engaged in manufacturing. The average NPL of private banks stood at below 5 percent on December 31 last year. The supply of long-term financing is constrained by banks' limited access to long-term resources, information asymmetries, capacity constraints and their relative comfort and preference to undertake shorter-term financing, according to the WB.

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## Rural poor may get rice at Tk 10 a kg

*A scheme has been proposed for lean periods*

**SOHEL PARVEZ**  
The Directorate General of Food has proposed to sell rice to the rural ultra-poor at Tk 10 each kilogram to help reduce poverty -- a move that will require the state to spend Tk 835 crore in subsidy a month.

The government has already cut the prices of rice and wheat for open market sales, for the second time in four months, to reduce the large stocks in time for the procurement season. The price of rice was slashed 25 percent to Tk 15 per kilogram and wheat flour 10 percent to Tk 17.

The food office wants to sell 30 kilograms of rice per month to each ultra-poor household during the lean periods of March-April and September-October, as per the proposal. Some one crore ultra-poor in rural areas will be benefitted from the scheme. The government had introduced a similar project in February 2011 to distribute rice at lower than the market price to the ultra-poor at the grassroots level. Called the "fair price card" scheme, it is currently dormant. The directorate has now sought to revive it with a view to disposing of its huge stockpile of grain to create space in its warehouses for new arrivals, said Foiz Ahmed, its director general. "Besides, the ultra-poor at the union level do not get any food support from the government like those at the upazila level get in the form of open market sales." About three lakh tonnes of rice will be needed each month for the scheme, according to the proposal sent to the food ministry early this month. The proposal is now awaiting approval from the government. Ahmed is hopeful that the approval will come by the end of March and the food office will be able to implement the scheme right away. At present, the directorate has about 14.35 lakh tonnes of grains, including 10.72 lakh tonnes of rice. It plans to purchase two lakh tonnes of wheat in April and 10 lakh tonnes of boro

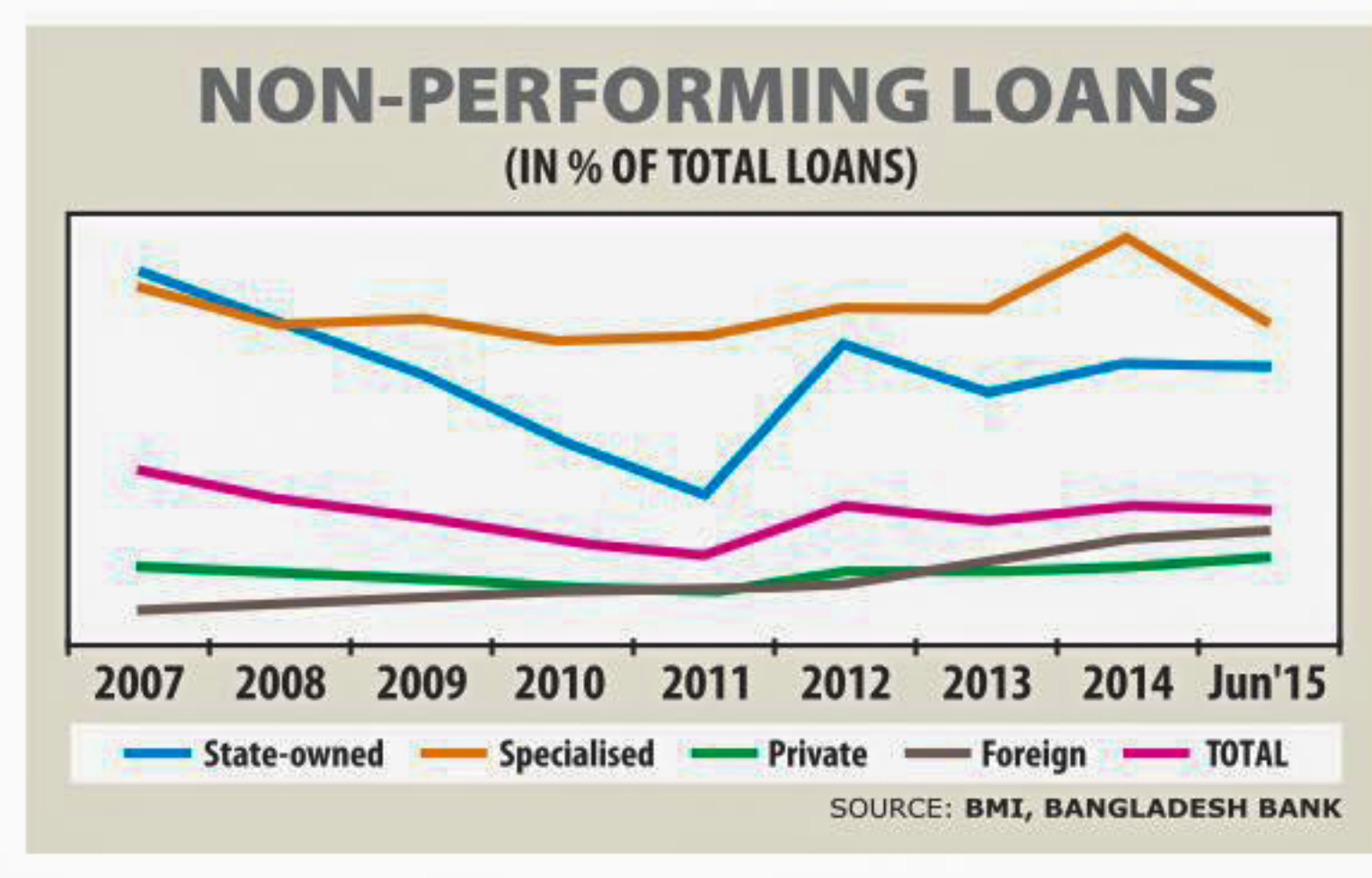
rice in May. The remaining one lakh tonnes of rice could be transferred for distribution among the poor at the grassroots level. Yesterday, the retail prices of coarse rice stood between Tk 32 and Tk 34 each kilogram in Dhaka, down 8.33 percent from a year earlier, according to the Trading Corporation of Bangladesh. Meanwhile, rice millers are fearing that the initiative will lead to a decline in rice and paddy prices and affect farmers at a time when the paddy prices, particularly the coarse variety, are on the downturn. "It is going to affect the prices of rice, especially the coarse rice," said Md Abdur Rashid, president of the Auto Major and Husking Mills Owners Association, adding that the coarse rice prices remain lower due to its ample supply. The average price of coarse paddy is now Tk 500 each maund, down from more than Tk 600 in December, when harvesting of aman crop was going on, Rashid added. But Ahmed of the food directorate said the farmers will not be affected by the scheme.

## Banking outlook bleak

*London-based BMI Research lists weaknesses of state banks*

**STAR BUSINESS REPORT**  
State-owned commercial banks continue to be plagued by poor capitalisation, weak asset quality and substandard management quality despite several attempts by the government to reform the sector, according to a recent analysis. They are also burdened by obligatory lending towards priority sectors and other state-owned enterprises as well as corruption and political patronage, said BMI Research, a London-based research firm. The report said Bangladesh's banking sector is one of the weakest in emerging Asia, as factors, such as low capital adequacy and poor asset and management quality, continue to challenge solvency and profitability. Under the Basel III framework,

Bangladeshi banks are legally required to maintain a capital to risk-weighted asset ratio (CRAR) of at least 10 percent and a tier 1 capital ratio of at least 5.5 percent. Although the banking sector as a whole was able to maintain its CRAR above the minimum requisite, state-owned commercial banks and developmental financial institutions or specialised banks have not been compliant, it said. Moreover, the banking sector's aggregate CRAR has been on a downward trend since 2013 and stood at just 10.3 percent in June 2015, which is slightly above the minimum requirement. "Given the high tendency for loans to turn sour in Bangladesh, this could pose downside risks to financial stability." The report also said Bangladesh



has one of the highest non-performing loan ratios in the region. Although the overall NPL ratio in the sector dropped from 10 percent in December 2014 to 9.7 percent in June 2015, it has been on a broad rising trend since 2011.

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Analysts take part in an innovation session for tech startups organised by SD Asia, a content and event-making platform for Bangladeshi tech startups, at Radisson Blu hotel in Dhaka yesterday.

## Facebook supports six start-ups

**STAR BUSINESS REPORT**  
Six start-up companies yesterday won Facebook packages, each worth about \$50,000 mainly for free advertisements for a year on the social media network. In addition to free advertisements on Facebook, they will also get technical support as part of the package. The six winners are Tripooly, Let's Eat, Sheba, LightCastle Data, Repto and Chalo. Twenty-five start-ups participated in the Innovation Xtreme session, organised by SD ASIA, a content and event-making platform for Bangladeshi tech start-ups.

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## Govt forming a company for country's first satellite

**STAR BUSINESS REPORT**  
A proposal for the formation of a dedicated company for the country's first satellite, Bangabandhu-1, has been sent to Prime Minister Sheikh Hasina for her approval, State Minister for Telecom Tarana Halim said yesterday. Hopefully the proposal will be passed quickly and the company will be able to start its preparations for commercial activities soon, Tarana said. The satellite will break even within seven years of its launch, she said. Tarana spoke to reporters after visiting Telecom Staff College in Gazipur where she saw the development work of the first ground station for the satellite. Bangabandhu-1 will be monitored and controlled from this station.

Work on another ground handling station is going on at Bethunia earth station in Rangamati. The satellite project is estimated to cost Tk 2,967.95 crore, and French company Thales Alenia Space is working on design, construction and launch of the satellite under a deal worth around Tk 1,959 crore. "We will recover the project costs by renting transponders of the satellite to different countries as well as making huge savings on television broadcasting through it," Tarana said. Citing a study of the telecom watchdog, she said the satellite can save at least \$14 million a year, which the local television channels pay to different foreign satellite companies as transmission fees.

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\*A Xiaomi Mi Band monitors your body's daily fitness level & sleep cycles.

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