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Credit growth buoyant in May

SAJJADUR RAHMAN

Private sector credit continues to post healthy growth rate, taking the advantage of the declining interest rates.

In May, private sector lending, which includes home, personal and business loans, increased 16.4 percent year-on-year, according to Bangladesh Bank data. It stood at 15.59 percent in April, 15.16 percent in March and 15.11 percent in February.

However, credit growth in the first 11 months of the fiscal year stood at 13.82 percent, lower by 1 percentage point than the monetary policy target of 14.8 percent.

Lenders attributed the recent growth in private investment to a turnaround in economic activities after a gap of three years.

More loans to the small and medium enterprises or SMEs, mega projects floated by the government and declining cost of funds are also pushing the credit growth up, they said.

A rise in imports ahead of the Eid-ul-Fitr also helped create the demand for money.

A decline in foreign currency loans, for which the cost has started to creep up, is also creating a demand for local loans.

"Import financing, particularly for capital machinery, has increased in recent times. The expansion of existing garment factories also fuelled the demand," said Shafiqul Alam, managing director of Jamuna Bank.

Alam said his bank's loans to the SME sectors rose to 15 percent of the total portfolio now from a very insignificant share a year ago.

Anis A Khan, managing director of Mutual Trust Bank, said more demand for loans for import of capital machinery is an encouraging factor for the economy.

PRIVATE SECTOR CREDIT GROWTH, IN %



Khan, also the chairman of the Association of Bankers Bangladesh, a forum of banks' managing directors, found that entrepreneurs are also taking loans for expanding their business, including garment factories.

"Import of essential commodities ahead of Ramadan also created fresh demand for loans."

Private sector credit growth has remained subdued for three years since January 2013, when it stood at 14.4 percent.

Volatile political situation and violent activities had forced the private sector to shelve their investment plans, which brought down the credit growth to as low as 8-9 percent.

High interest rates in the local market also compelled many entrepreneurs to take low-cost foreign currency loans, which brought down loan disbursement by local lenders, according to the bankers.

All these issues pushed the weighted average lending rate down to 10.64 percent in March compared to 11.93 percent a year earlier.

The deposit rate also saw a sharp fall as banks are still awash with excess liquidity. The interest rate on deposit came down to 5.77 percent in March from 7.06 percent a year earlier.

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Govt moves to improve ADP performance

REJAUL KARIM BYRON

The government has big plans to speed up the implementation of the annual development programme this fiscal year, in the backdrop of poor performance last year.

A large ADP was undertaken last fiscal year, which was later slashed.

However, a major portion of the outlay could not be spent in the first 11 months of the outgoing year. Between July and May, implementation stood at Tk 55,317 crore, or 60.79 percent of the revised ADP. The size of the revised ADP was Tk 91,000 crore.

The performance was the poorest in the last five years. If the government has to implement the entire revised ADP, it will have to spend Tk

ADP EXPENDITURE (FY2016) In crores of Tk

SOURCE: IMED



35,683 crore in a single month.

A planning ministry official said at best 90 percent of the revised ADP may be implemented, and for this to happen, more than Tk 26,000 crore will have to be spent.

Economists often criticise large expenditures at the end of the fiscal year, saying it wastes money.

At the beginning of the fiscal year, implementation works are usually delayed due to the monsoons, said planning ministry officials. But data shows that only Tk 4,000 crore to Tk 5,000 crore was spent in January-February.

The practice of spending most of the allocated money in the last month of the fiscal year has been going on for years.

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Garment industry fears for future after attack in Dhaka cafe

AFP, New Delhi

The horrific slaughter of diners at a Dhaka cafe has fanned fears that surging Islamist violence may imperil the giant garment industry in Bangladesh, which built its economy on cheaply supplying fashion to the world's big-name brands.

Gunmen stormed the Holey Artisan Bakery in the capital's diplomatic quarter on Friday evening, rounding up foreign hostages before murdering 20 people with explosives and machetes, in a brutal targeting of the small expat community.

Islamic State jihadists released gruesome images of corpses lying in crimson pools on the

cafe floor as they claimed responsibility for the deadly 11-hour siege. Most of the victims were Italian or Japanese.

"This attack will turn away foreigners," said Faruque Hassan, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association, which represents 4,500 factories.

"The impact of this attack will be very damaging for the industry. We are now extremely worried," added Hassan, whose Giant Group supplies clothes to retailers including Britain's Marks & Spencer and Next.

Even before the cafe siege, Bangladesh, the world's second-biggest exporter of apparel after

China, was reeling from a wave of Islamist-linked killings of religious minorities, liberal activists and foreigners, including an Italian aid worker last September.

Concern is mounting that the South Asian nation, wracked by political instability since independence in 1971, is sliding into deeper chaos, with under-pressure police arresting 11,000 people last month in a desperate crackdown.

"The hostage crisis in Dhaka is a terrible tragedy reflecting how security has deteriorated in the country," said Sarah Labowitz, co-director at the NYU Stern Center for Business and Human Rights in New York.

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IPO funds fell 31pc last fiscal year

SARWAR A CHOWDHURY

Nine companies and two mutual funds entered the stockmarket last fiscal year, bringing in about Tk 858 crore through initial public offerings (IPOs). The amount was 31 percent lower than that in the previous year.

The number of IPOs was also lower

in 2015-16 due to a bearish trend in the market and modification in public issue rules by the regulator.

Fifteen equity companies and one mutual fund raised around Tk 1,246 crore through IPOs in fiscal 2014-15, according to Dhaka Stock Exchange.

The companies raised the funds

either for business expansion or for repaying bank loans or both, according to the IPO prospectuses.

However, as a number of companies were seeking premiums in addition to the face value of shares, Bangladesh Securities and Exchange Commission in December last year revised the public issue rules making the use of book-building mechanism mandatory for premium seekers.

As per the revised rules, companies that will offer primary shares with premium prices will have to follow the book-building method to raise capital from public.

The BSEC made the modification to ensure accountability of issuer companies, issue managers, auditors and other stakeholders.

The book building is a process through which an issuer attempts to determine the price of its security based on demand from institutional investors.

The modification compelled many issuer companies to revise their IPO proposals, and it was a major reason behind the decline in number of IPOs.

Apart from revising the public issue rules, the regulator was following a 'go-slow' policy in allowing the IPOs, considering the secondary market that was in a bearish mood, said Akter H Sannamat, a market analyst.

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IPOs IN FISCAL 2015-16

| ISSUES | FACE VALUE/SHARE IN TAKA | PREMIUM/SHARE IN TAKA | FUNDS RAISED IN CRORES OF TAKA |
|---------------------------------------|--------------------------|-----------------------|--------------------------------|
| KDS Accessories | 10 | 10 | 24 |
| Simtex Industries | 10 | 10 | 60 |
| Regent Textile Mills | 10 | 15 | 125 |
| Information Technology Consultants | 10 | -- | 12 |
| Vanguard AML BD Finance M/F One | 10 | -- | 70 |
| SEML Lecture Equity Management Fund | 10 | -- | 25 |
| Dragon Sweater and Spinning | 10 | -- | 40 |
| Doreen Power Generations and System | 10 | 19 | 58 |
| Bangladesh National Insurance Company | 10 | -- | 17.7 |
| Evince Textiles | 10 | -- | 18 |
| The ACME Laboratories | 10 | 67 | 409.6 |

SOURCE: DSE

GP brings all e-shops under single platform

MUHAMMAD ZAHIDUL ISLAM

Grameenphone recently launched an aggregated e-commerce platform -- Kidorkar -- aiming to bring all the e-shops and online service providers in Bangladesh under a single platform.

The leading mobile phone operator launched the platform on June 20, with more than 50 partners and 7,000 products and services, without any formal announcement, said a senior official of the operator.

It will be improved further on the basis of feedback from users and then be launched formally, he said.

Grameenphone wants all the reputed e-shops on-board as there are more than 1,000 e-commerce sites in the country and their number is increasing every day.

"With over a thousand online shops, it is sometimes difficult for people to get the



right thing, and here Kidorkar can play an important role," said the official.

Users can buy products from different e-commerce sites and book services like hotel, restaurants, and travel tickets through Kidorkar, he said.

Grameenphone said the main objective of Kidorkar is to create a one-stop solution for users for buying and booking.

The platform will help users take better decisions on what they will purchase, said Syed Talat Kamal, spokesperson for Grameenphone.

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