

COMMODITIES		AS OF FRIDAY		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
Closed	Closed	\$1,365.80 (per ounce)	\$45.12 (per barrel)	▼ 0.27%	▼ 1.11%	▼ 0.53%	▼ 0.91%	BUY TK 77.80	85.20	103.21	0.74
				27,126.90	15,106.98	2,847.04	2,989.25	SELL TK 78.80	88.60	106.61	0.78

**এসআইবিএল রিটেইল ব্যাংকিং**  
 জীবনের জন্য, জীবন যাপনের জন্য  
**এসআইবিএল ইসলামিক কনজুমার ফাইন্যান্স**  
**এসআইবিএল হোম ফাইন্যান্স**  
**এসআইবিএল অটো ফাইন্যান্স**



\* ফ্রি অনলাইন সেবা  
 যে কোন প্রয়োজনে ০৯৬৬২০০৯৯২২

# Star BUSINESS

DHAKA SUNDAY JULY 10, 2016

## State banks still in capital deficit

**REJAUL KARIM BYRON**  
 The government provided Tk 1,578 crore to state banks last fiscal year to meet their capital deficit and yet it was not enough for the institutions.  
 Scam-hit BASIC Bank was given Tk 1,200 crore, Sonali Tk 178.41 crore, Krishi Tk 140.08 crore and Rajshahi Krishi Unnayan Tk 55 crore.  
 Initially, Tk 5,000 crore had been earmarked for the state banks, but a major portion of it was slashed later -- the strongest indication yet of the government's intent to crack down on the lenders' errant ways.  
 Even after the substantial capital injection, the eight state banks -- six commercial and two specialised -- ran a total deficit of Tk 12,550 crore until March 31.  
 The capital deficit of the six commercial banks was Tk 4,736 crore.  
 Sonali has a shortfall of Tk 2,849 crore and BASIC Tk 2,236 crore, while Agrani, Janata and Bangladesh Development Bank Limited have surplus.  
 The two specialised banks -- Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank -- together have a capital shortfall of Tk 7,814 crore.  
 In January last year, the central bank introduced the BASEL III capital adequacy ratio standard for banks.  
 The banks will have to maintain a capital of 10.62 percent of their risk weighted assets. Save for BDBL,



other state banks were not able to maintain the capital adequacy ratio.  
 This fiscal year, only Tk 2,000 crore has been allocated to meet the banks' capital deficit.  
 The development is a departure from the government's position on state banks, which have been handed huge sums for recapitalisation.  
 Earlier this year, the banking division sought Tk 10,000 crore for the purpose for the next two fiscal years.  
 "The state banks will manoeuvre to make their financial conditions worse and the government will continue to give them funds from taxpayers' money -- things cannot go on like this," said a finance ministry official.  
 With the cut in allocation last fiscal year, the state banks have been given a warning that they will have to be self-reliant, he said.  
 There are plans to bring in some reforms in state banks next year, with the government considering offloading some of its shares in the institutions, accord-

ing to the official.  
 Economists have already called for immediate privatisation of state banks save for Sonali and drastic measures against public enterprises to stop them from bleeding the economy.  
 "I think enough is enough. We no longer need state banks," said Mohammed Farashuddin, a former central bank governor, at a pre-budget discussion jointly organised by the Metropolitan Chamber of Commerce and Industry and Maasranga TV on May 15.  
 "We only need to keep Sonali Bank, which is our treasury bank. The other state banks should be left in the hands of people," he added.  
 Sadiq Ahmed, a member of the central bank's board of directors, unequivocally backed Farashuddin.  
 "Money is stolen from public banks and then taxpayers' money is used to save them -- I think it is a disastrous policy. This should not be tolerated any more."  
 Ahmed called for turning the state banks into narrow banks, if they are not privatised. Narrow banks can only take deposits; they cannot lend.  
 "If you can take away the lending decision, there will be no scope for misuse and abuse," he added.  
 On the proposal for privatising state banks except Sonali, Finance Minister AMA Muhith had said: "It's a good suggestion. We're already thinking about it, but we haven't taken any step in the true sense. This proposal, however, encourages me to take it forward."  
 Over the longer term, rising stress in the state-owned banks will require more radical reforms in their structure of governance, said a recent World Bank report.  
 "The fundamental problems with the state banks are the interdependence between banks and state-owned enterprises, the way that banks are run as SOEs, and the government's improper influences on the operations of SOEs and banks."  
 Also, many private industrial companies have been hit by delays in making their investment projects operational due to unavailability of basic utility connections such as gas, water and electricity, leaving them unable to repay their loans to state banks.  
 "Though these problems have been around for a long time and are deeply rooted, they have never really been solved."  
 The banks' financial discipline was undermined by scams, high non-performing loans and inadequate capital followed by repeated recapitalisation, it added.

## Garment buyers not giving up on Bangladesh after cafe attack

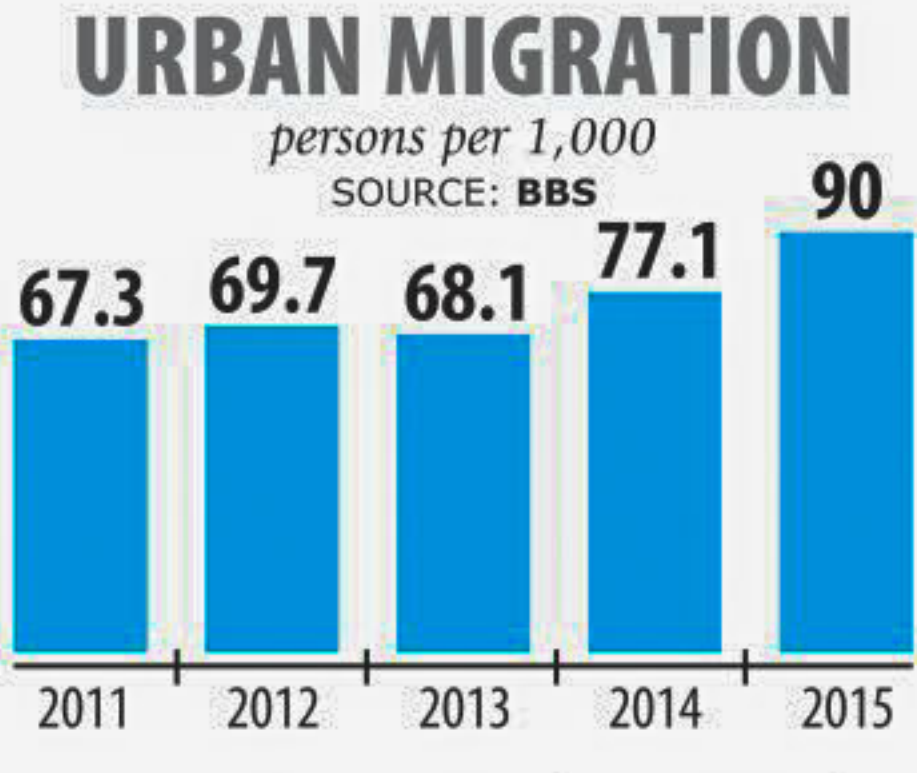
**REFAYET ULLAH MIRDHA**  
 Global retailers will continue to source apparel from Bangladesh, as they have no plan to bring any major change to their business strategies following last week's terrorist attack in Gulshan.  
 On July 1, a band of militants stormed an upscale restaurant in the capital's Gulshan area and killed 20 diners, including nine Italians, mostly tied to garment trade out of Bangladesh.  
 The attack, which was targeted at foreign nationals, raised questions about the future prospects of the country's garment sector, as it gears up to overtake China as the world's largest apparel supplier.  
 "There are no plans to change any sourcing but we are following the development closely," Ulrica Bogh Lind, global press officer of H&M, the largest buyer of Bangladesh's apparel products, told The Daily Star in an e-mail.  
 The Swedish retail giant purchases nearly \$5 billion worth of garment products from Bangladesh a year.  
 Similarly, Dutch retail giant C&A also confirmed that it will not change its business plan in Bangladesh due to the attack.  
 "As Bangladesh is one of C&A's most important production countries, C&A is closely monitoring the ongoing situation in Bangladesh. Currently, C&A is not considering any short or long-term changes for its local business operations," it said in an e-mailed reply to The Daily Star.  
 Spanish retailer Mango replied along the same lines.  
 "We work with textile suppliers in Bangladesh and our relationship will not be affected by last weekend's attack," said Idoya Noain Ruiz, head of communication and public relations department of Mango.  
 In 2014, 6.65 percent of Mango merchandises were sourced from Bangladesh and the volume will remain the same in future, she said.  
 Some of the retailers, however, are calling their local suppliers to a third country for

meetings, as they refuse to travel to Bangladesh for security reasons, said the garment makers.  
 "At least four garment makers told me that they or their representatives are going to a third country to hold meetings with the buyers as they refused to travel to Dhaka after the attack," said Mohammad Hatem, a former vice-president of BKMEA, the knitters' platform.  
 The retailers are now calling the suppliers to India, Hong Kong and Bangkok, he said.  
 "But none of the buyers said they will cut business from Bangladesh following the Gulshan attack," Hatem added.  
 Fazlul Hoque, managing director of Narayanganj-based Plummy Fashions, said one of his Japanese buyers has refused to travel to Bangladesh to attend a meeting scheduled to be held at his factory office on July 19. "So, I am going to Japan to hold the meeting."  
 Seven Japanese nationals were among the victims of the terrorist attack.  
 At the same time, a German buyer of his company has not changed his travel plan to Dhaka. "The retailer is coming to my factory."  
 When scheduled meetings are shifted to third countries, there are chances of receiving fewer work orders as the buyers would not be able to visit the production plants themselves, Hoque added.  
 The retailers had earlier held meetings in a third country in 2015, during the three month-long countrywide strikes.  
 "We have not received any information yet on the possible suspension of travel plans to Dhaka by any garment retailer," said Mohammed Nasir, vice-president of Bangladesh Garment Manufacturers and Exporters Association.  
 Echoing the views of other suppliers, KI Hossain, president of Bangladesh Garments Buying House Association, said buyers will call in at Bangladesh in the months of August and September to place work orders for the next spring season.  
 "Some of the retailers might change their travel plans due to the attack."

## Urban migration surges

**SOHEL PARVEZ**  
 Migration to urban areas from rural regions and other towns surged in 2015 for the third consecutive year amid people's quest for income opportunities and better living, according to Bangladesh Bureau of Statistics.  
 Some 90 out of every 1,000 persons moved to urban areas in 2015, up 17 percent year-on-year, according to Bangladesh Sample Vital Statistics (BSVS) 2015, published by BBS recently.  
 BBS data shows migration to urban areas from rural areas rose marginally during the period, but an increased number of people migrated between urban areas.  
 In 2015, 60.5 persons per 1,000 moved between urban areas, up 48.9 percent year-on-year.  
 "It appears that increased number of people have moved from small towns to big towns or cities, particularly for economic factors, education and healthcare," said AKM Ashraf Haque, project director of Monitoring the Situation of Vital Statistics Project of the BBS.  
 Marriage is also a factor behind the higher rate of migration, he added.

However, migration from urban to rural areas remained unchanged at 5.1 persons in every 1,000 between 2014 and 2015, according to BSVS 2015.  
 "Higher urban out-migration rate possibly contributed significantly to urban in-migration rate," said the BBS in its BSVS 2015, which provides various data including dependency ratio, fertility rate, mortality, life expectancy rate, marriage, literacy and religious composition.  
 The survey was done based on data collected from 215,811 households in urban and rural areas.  
 The Dhaka division recorded the highest migration rates in 2015 and Rajshahi division the lowest.  
 The BSVS report said the flow of out-migration exceeds in-migration rates in rural areas. The urban areas, on the contrary, are gaining population, with a net rate of 6.2 persons per 1,000 of population, it added.  
 Hossain Zillur Rahman, executive chairman of Power and Participation Research Centre, said income inequality may not be the main reason behind the rising migration to urban areas; it may be mainly because of access to quality human development.  
 "It may be that everyone is trying to



move towards the apex of the system," he said, adding that the data indicates balanced urbanisation is not taking place.  
 "It may be reflective of the inequality in urban facility development."  
 He cited the case of Jhalakathi where income has risen but the facilities for education and healthcare have not been developed enough.  
 "The nature of urbanisation has become an important feature of growing inequality. But I think it certainly requires deeper examination," said Rahman, also a former adviser to the caretaker government.  
 One of the key drivers in inequality now

in Bangladesh is access to quality human development.  
 "That inequality is also an urban inequality," he said, adding that a certain facility available in Dhaka may not be available elsewhere.  
 Growing insecurity may be another reason, he added.  
 Prior to 2013, migration to cities was on the rise. The rate of people moving to urban areas was faster in the decade 2001-2011 than in 1991-2001. Some 33.2 persons in every 1,000 migrated to urban areas in 1991, according to BBS.  
 A host of factors -- poverty, lack of year-round jobs, river erosion, natural disasters, search for better jobs and living along with marriage and education -- are responsible for the soaring migration, analysts said earlier.  
 Internal migration was also buoyed by massive expansion in the apparel, trade and services sectors.  
 People, mainly the youths, have migrated from less-advanced regions to economically developed areas, notably Dhaka, Chittagong and their surrounding areas that offer livelihood opportunities, they added.

## Gulshan attack upends major ICT event

*Companies advise foreign employees to work online from home*

**MUHAMMAD ZAHIDUL ISLAM**  
 The telecom and ICT sectors face a setback following the Gulshan terror attack as a major international event which was scheduled to take place in Dhaka will now be held in Bangkok or Colombo, organisers said.  
 Telecom operators and international technology vendors also issued safety directives to their foreign employees and allowed them to work online from home, officials said.  
 Besides, a number of foreign delegates who were invited to a business process outsourcing (BPO) event in Dhaka on July 28-29 have expressed unwillingness to attend the programme.  
 On July 1, a militant attack on a Dhaka restaurant killed 20 hostages, mostly foreigners, sending shocks across the country and beyond.  
 Fear spread further after four people -- two policemen, a woman and a suspected assailant -- died in a second attack in a week, in Kishoreganj where hundreds of thousands gathered for the nation's largest Eid congregation on Thursday.  
 Asia-Pacific Networking Information Centre, a regional internet registry that allocates IP addresses and autonomous system numbers for internet users in the Asia-Pacific region, was supposed to hold its 42nd executive meeting in Dhaka from September 29 to October 6.  
 But amid fears and tension in Dhaka, the programme will now be organised in Bangkok or Colombo.  
 Had the meeting taken place in Dhaka, it would have benefitted the internet industry of Bangladesh, said MA Hakim, president of Internet Service Providers Association Bangladesh.  
 Around 450 foreign analysts, including a team of cyber security experts from the US, and another 500 local analysts and entrepreneurs were scheduled to attend the event, said Hakim.

## Food imports from US on the rise

**STAR BUSINESS REPORT**  
 Bangladesh's agricultural imports from the US are on the rise thanks to the growing demand for processed food among the middle-class, the US Department of Agriculture said in a recent publication.  
 Between 2012 and 2015, Bangladesh imported \$498 million worth of agricultural products from the US, placing it higher than Pakistan on the list.  
 Baking inputs, mixes, puddings and condensed milk account for 79 percent of the imports from the US, the USDA said in its Global Agricultural Information Network Report, 'Exporter's Guide Bangladesh-2016'.  
 In 2015, Bangladesh imported processed food worth \$15.8 million from the US.  
 "More opportunities for intermediary products and food ingredient imports may

be found in Bangladesh's food manufacturing, modern retail, and hotel restaurants and institutions sectors."  
 The report, citing Household Income and Expenditure Survey of Bangladesh Bureau of Statistics, said although rice is the major staple, demand for more expensive animal and plant proteins have grown for both rural and urban households.  
 The demand has grown for vegetable oil, chicken, eggs, fish and milk, said the USDA report, referring to the HIES.  
 "Higher incomes and healthier lifestyles influence these trends," said the USDA.  
 It said the number of middle- to upper-class consumers in Bangladesh is slowly growing, now estimated at around 30 million.  
 The modern retail sector, including supermarkets and convenience stores, is growing as consumers attach more importance to appearance, ambience, comfort and the

availability of a vast range of products.  
 "More middle to upper class consumers are shopping at modern retail outlets because of greater convenience, especially since more families have two working parents."  
 The report said modern retail chains are striving to differentiate themselves from wet markets by offering more varied, high-quality products, as well as convenience, which they hope will attract more consumers.  
 However, they also have challenges, such as cold chain capacity, food preservation and packaging, and transportation in order to reduce food wastage and losses.  
 The USDA said consumer segments in higher income brackets prefer international brands, including products from a specific country of origin, which they believe provides an indication of safety and quality.  
 "However, reportedly, most consumers do not have much knowledge or experience

with international brands."  
 In addition, expansion of food processing companies in the country and the increase in the number of hotels and restaurants also offer prospects.  
 The USDA said food processing companies are growing in Bangladesh, manufacturing a variety of foods ranging from wheat noodles to dry rice snacks to mango-flavoured drinks.  
 It said the \$2.2 billion food processing sector in Bangladesh grew on average 7.7 percent per year between fiscal 2004-05 and 2010-11. The beverage industry more than doubled during the same period to \$29 million, showing an average growth rate exceeding 8 percent per year.  
 "The growing demand for processed foods and beverages primarily stems from Bangladesh's growing middle class population," the USDA added.

**সুডেট মোবাইল ব্যাংকিং**  
 এক নতুন সেবার দ্বার  
 ফিস দেওয়ার চিনেশন  
 ভুলে যাবেন এবার



**সহজ**  
 সুডেট মোবাইল ব্যাংকিং

**ফাস্ট সিকিউরিটি ইসলামী ব্যাংক লি:**  
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