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Banks' deposits soar despite small returns

As of June 30, 2016

REJAUL KARIM BYRON

Banks' deposits grew by a handsome amount last fiscal year despite small returns further pared down by infla-

Deposits grew 14.05 percent to Tk 858,331 crore in the year to June 30, whereas the weighted average interest rate on deposits fell about 1.24 percent during the period.

The interest rate was only 5.54 percent in June, whereas inflation then was below 6 percent.

This means, if inflation is taken into account, the savers are not getting any returns against their deposits. People have been depositing their

have any better schemes to park their funds in, said a central bank official. "Those who live abroad have the option of investing their savings in the stockmarket. Here, after the two

money with banks as they do not

crashes, people have lost their confidence in stocks," he added. Over the last fiscal year, deposits with the state-owned commercial banks grew 16.36 percent, private banks 13.76 percent and foreign banks 8.19 percent, according to

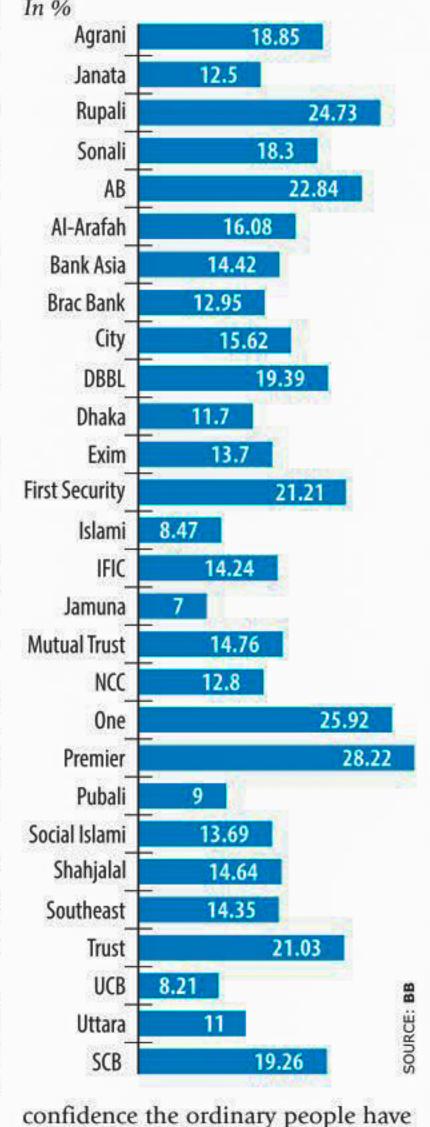
central bank statistics. The state banks in recent times have lowered the rate of interest on deposits much and yet the rate of deposit with state banks soared 18 percent to 24 percent.

The interest rate on the saving deposits of state banks stood at 3 percent to 4 percent and that on fixed deposit 6 percent, which is the highest.

A year earlier, the rate was 4 percent to 7.25 percent for savings and 9 percent for on fixed deposits.

One of the reasons for the increase in deposits of state banks is the high

BANKS' DEPOSIT GROWTH



in the institutions, said Zaid Bakht, chairman of Agrani Bank.

Savers think that there is no possibility of the state banks shuttering, so it is safe to deposit money with them

even though the returns are less, said Pradip Kumar Dutta, former managing director of Sonali Bank.

Another reason for the state banks' bulging deposits is that the money of various government projects is kept with them, according to Bakht.

Many bank officials said 75 percent of the deposits of various government institutions have to be kept in state banks -- the reason for the increase in deposits of state banks. The rate of interest that many

private banks are offering on savings is about 2 percent, while that on fixed deposits is 5 percent to 7 percent. However, many private banks'

deposit increased significantly. The deposits of old private banks soared up to 30 percent and that of new ones 30-53 percent. The new private banks' base was

low, due to which their growth is shown higher. The new private banks have been

offering high rates for some selective deposits, which brought about the high growth. Many businessmen and industrial-

ists have been unable to invest their money for various reasons and the money has been kept idle in their deposit accounts with the banks, officials said.

Bank officials said people's income has been increasing and every year a large amount of remittance is flowing into Bangladesh. "For these reasons, the deposit has increased in banks.

However, the rate of interest to depositors is the lowest in foreign banks. The foreign banks' interest rate on

weighted average is only 1.8 percent. Despite that, their deposit grew 8 percent on average, with one bank seeing it rise as high as 18 percent.



Fourth from right, State Minister for Finance and Planning MA Mannan attends the launch of The Urban Spectrum, a publication of the Power and Participation Research Centre, at the opening of a two-day international conference on urban poverty at the LGED auditorium in Dhaka yesterday.

A major shift in household income survey

STAR BUSINESS REPORT

The government has made a major shift from annual estimates to quarterly ones in conducting this year's household income and expenditure survey (HIES), a top official of Bangladesh Bureau of Statistics said yesterday.

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Also, division-level estimates will be expanded to district-level estimates, said Dipankar Roy, project director of the survey, BBS.

"This is a major shift to understand poverty at regional level," Roy said at a programme styled 'Urban poverty: Challenges and solutions conference', held at the LGED auditorium in Dhaka.

Power and Participation Research Centre, an independent think-tank and state-owned BBS jointly organised the two-day event in partnership with the World Bank and United Nations Development Programme.

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Urban poverty on the rise: WB

STAR BUSINESS REPORT

The number of urban poor in Bangladesh rose about 33 percent to eight million between 1992 and 2010, the World Bank said yesterday.

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However, the number of rural poor decreased from 55 million to 46 million during the period, said Ming Zhang, sector manager for urban South Asia at the WB.

The quality of life of the urban poor is also worse than that of the rural poor, he said in his presentation at the inaugural of a two-day international conference on urban poverty.

The Power and Participation Research Centre (PPRC) and Bangladesh Bureau of Statistics (BBS) jointly organised the programme in the city's LGED auditorium in partnership with the WB and United Nations Development Programme.

"Typically, they [urban poor] live in slums located on marginal lands. These are overcrowded, lack infrastructure,

and have poor quality housing, limited access to services and insecure land tenure," he said.

"In urban area, you need cash to buy anything," Ming Zhang said, suggesting a contradiction of the rural areas where they have community life and interconnectedness that come in aid in any social and economic shocks.

The urban poor often face deprivation of education and health services, he

This is happening despite the fact that urbanisation is occurring rapidly in the country, and that over 60 percent of the national GDP comes from cities.

According to BBS, urban population in the country will rise to nearly 102 million by 2050, which will be 44 percent of the total population.

Economists and urban experts said policymakers have been focusing on rural poverty over the decades, while urban poverty remained neglected.

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Bangkok most favourite to overnight visitors: poll

STAR BUSINESS REPORT

Bangkok topped the annual list of the world's most popular destinations by international overnight visitors, for the second year in a row.

The Thai capital is projected to host 21.47 million international overnight visitors, who arrive from outside the country and stay at least one night in the destination city.

Bangkok topped the list among 132 cities, according to an annual ranking by global payments and technology company MasterCard, which officially released Global Destination Cities Index yesterday.

Although Dhaka was one of the 132 cities, it was not put in the Global Destination Cities Index, which contains the top 100 destinations.

Ten out of the 132 cities, including Dhaka, were estimated using the airflow model as there were unable source for official statistics. London, which stands second in the index, is expected to welcome 18.88 million visitors this year, according to the MasterCard report.

The index projects visitor volume and spend estimates for 2016, while delivering a deeper understanding of how people travel and spend around the world.

As cross-border travel and spending continue to grow at a faster pace than world GDP, the world's cities continue to be engines of broader economic growth, according to the report. READ MORE ON B3

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator has failed to realise Tk 3,440.19 crore in dues from two state-owned companies despite several attempts.

BTCL, Teletalk dues

despite reminders

remain unpaid

As of June, Bangladesh Telecommuni-cations Company Ltd (BTCL) owes Tk 1,830.10 crore and Teletalk Tk 1,610.09 crore to the regulator.

If late fees are added, the figures will rise even higher, said an official of Bangladesh Telecommunication Regulatory Commission (BTRC).

BTCL has not been sharing its revenue with the government since October 2008, while Teletalk did not clear its spectrum prices of Tk 1,585.13 crore, though it has been using the spectrum from June 2012, the official said.

BTRC recently discussed the issue at a meeting and decided to reinform Tarana Halim, the state minister for telecom, of the matter and seek her intervention.

Teletalk and BTCL always enjoy some privileges from the regulator, said another BTRC official.

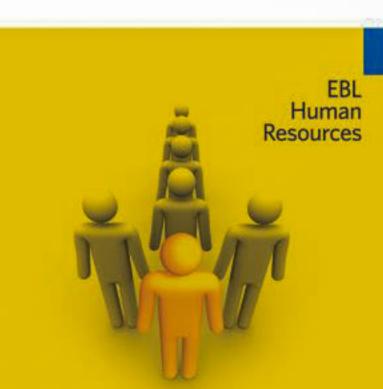
"As the regulator we are always strict with private operators in matters of collecting revenues, but we always take a soft stance on the issues of the state operators," the official said, asking not to be named.

BTRC often imposes penalties on operators, shuts their operations or cancels licences and files cases against them, if they fail to pay dues, he said.

But the regulator never takes any action against Teletalk and BTCL, said the official.

Besides spectrum fees, Teletalk, the lone stateowned mobile operator, has never contributed any amount to the social obligation fund since its inception in 2011. Its dues in the segment amounted to Tk 24.96 crore, according to BTRC.

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