

IDB dismayed by 'abrupt' changes at Islami Bank

Islamic Development Bank writes letter to Muhith; Islami Bank says banking rules have been followed in every step

STar Business Report

The Islamic Development Bank expressed dismay at the recent changes that took place at Islami Bank Bangladesh Ltd without the consent of the foreign shareholders who own a majority stake in the Bangladeshi lender.

In a letter to Finance Minister AMA Muhith, the Jeddah-based lender said the foreign shareholders, who own more than 52 percent of shares at IBBL, feel that the governance of the bank has been taken away from the foreign shareholders and given to the local shareholders and independent directors.

"This recent high-level change at IBBL is yet another example of important decisions being taken without due knowledge or consent of the foreign shareholders," IBBL President Bandar MH Hajjar wrote on January 24.

The letter from the IDB came nearly three weeks after the changes were made to the posts of IBBL's chairman, managing director, heads of various committees and chief of the Islami Bank Foundation, following a board meeting on January 5.

Speaking to reporters at the secretariat yesterday, Muhith said, "It's a pretty serious matter and my impression was very different."

"The previous president of the IDB,

Ahmad Mohamed Ali, brought to my notice some problems with Islami Bank here. So I thought that the IDB carried on the interests. But his successor seems to know nothing about it."

The minister has asked for a report from the Bangladesh Bank governor on how the changes to the IBBL board took place when the majority shareholders were not party to the decision. Muhith said the governor will inform the finance ministry on the changes at IBBL, as it gave the permission.

Foreign sponsors have majority shares with a 52.16 percent stake in the bank, with the IDB having a 7.5 percent share. The IDB also criticised the way a board meeting at IBBL is convened.

Of late, according to the IDB letter, it has become a normal practice for IBBL to schedule a board meeting on short notice, providing insufficient time to foreign shareholders' representatives to study the board documents and make logistical arrangements to attend the meetings.

On many occasions, the board documents were provided just prior to the meeting. Keeping up with this practice, IBBL sent a notice to the IDB on January 2 for the meeting on January 5.

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Ctg port, customs to remain open six days

STar Correspondent, Ctg

Chittagong Port and Chittagong Customs House will remain open six days a week to fast-track the clearance of imports and exports and cut costs.

The decision was taken yesterday at a meeting initiated by the National Board of Revenue to chalk out a roadmap to clear the import and export consignments at reduced costs.

A total of 14 such decisions were taken at the four-hour meeting after discussion with users of the port and customs.

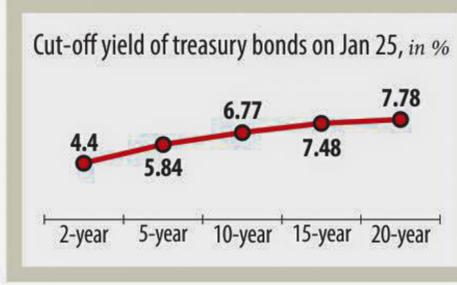
Following the meeting, Md Farid Uddin, NBR's member for customs policy, said the decisions would be sent as recommendations to the shipping and finance ministries for approval.

These moves are necessary to improve capacity in import and export activities and to compete internationally, he said.

Representatives of business bodies, shipping agents, freight forwarders, clearing and forwarding agents, Bangladesh Bank, private inland container depots, BGMEA and BKMEA were present at the meeting.

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Savings certificates choke bond market



Sajjadur Rahman

The high interest rates on government savings certificates are deterring the development of a much-needed bond market and turning investors into savers in Bangladesh, experts said.

Bangladesh Bank Governor Fazle Kabir also pointed out the matter while announcing the monetary policy on Sunday.

Yet, there has been no action from the government to adjust the interest rate, for which its liabilities are swelling every year.

The continued high interest rates on savings certificates hold back the development of a bond market, said Anis A Khan, managing director of Mutual Trust Bank and chairman of the Association of Bankers Bangladesh.

"As long as this distraction remains, the bond market will remain damp," he added.

A bond is a debt instrument

issued for a specific period of time for the purpose of raising long-term capital.

It can be issued by the government, corporate and other large enterprises to meet their long-term financing needs against fixed interest rates.

Bond as a security is also considered safer than stock for a risk-averse investor as it pays both principal and a certain percentage of interest.

The bond market in Bangladesh is dominated by government treasury debt securities, with only a few from the private sector in the last one decade.

About 70 percent of the domestic savings are held in the form of bank deposits and the remaining 30 percent are in the stock and debt markets, according to market players.

Bonds are tradable in the secondary market, but transactions depend on the existing interest rates in the market.

Currently, bonds yield 5-7 percent depending on the tenure, while banks offer 5-6 percent for fixed deposits. The call money rate has been hovering around 3.5 percent for over a year.

On the other hand, the government savings schemes for five years offer about 11.50 percent, meaning the gap between savings certificates and other investment tools stands at 5-6 percentage points.

"The gap is so high that the development of a bond market is not feasible here," said Mirza Elias Ahmed, deputy managing director of Jamuna Bank.

There is no reason that an individual or an institute will opt for a bond leaving behind the lucrative rates on savings certificates, he added.

Biru Paksha Paul, immediate past chief economist of the Bangladesh Bank, termed the interest rates on the government savings tools 'abnormal'.

LNG import not a long-term solution: DCCI

Star Business Report

Liquefied natural gas cannot be a long-term solution to the country's energy crisis that is hindering industrialisation in a big way, the Dhaka Chamber of Commerce and Industry said yesterday.

"LNG import should only be a short-term solution," said AK Khan, the newly elected president of the DCCI, at a media briefing at the chamber's headquarters in Dhaka.

The government plans to start LNG import by the year-end, and before that its price will be announced for industrial use. It is anticipated that the LNG price will be higher than that of natural gas.

"Cheap labour and energy are our competitiveness. If the energy price goes up with the import of LNG, the cost of production will also rise and we will lose our competitiveness."

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Sonia Bashir Kabir, managing director of Microsoft Bangladesh, poses with the 18 brand ambassadors of the company at the National Youth Assembly 2017, in Cox's Bazar on February 1. The Volunteer for Bangladesh, the youth wing of Jaago Foundation, organised the event. Story on B3

Credit growth up in Dec

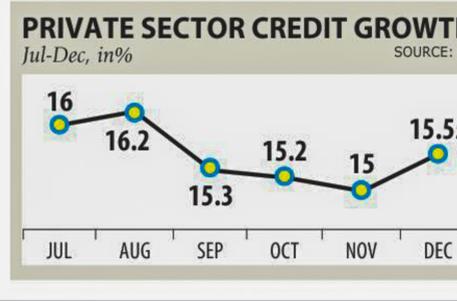
Star Business Report

Private sector credit growth rose sharply in December last year, but was still far below Bangladesh Bank's target for the first half of 2016-17.

The credit growth was 15.55 percent in December, against the monetary policy's target of 16.6 percent, rising from 15.01 percent in November, according to Bangladesh Bank data. Total credit to the private sector stood at Tk 717,019 crore at the end of December, increasing from Tk 620,506 crore in the previous month.

Though private sector credit growth is on the rise, Bangladesh Bank kept the growth target unchanged at 16.5 percent for fiscal 2016-17 in the latest monetary policy announced on January 29.

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Cotton prices may fall on supply glut: ICAC

Star Business Report

Cotton prices worldwide may fall in the next few months for an increased supply following higher production and remaining stocks from last year, according to a report from the International Cotton Advisory Committee or ICAC.

The ICAC forecasts that cotton prices will range between 66 cents and 83 cents per pound from the second half of the cotton season of 2016-17. The cotton season starts on August 1 and ends on July 31.

Currently, cotton is trading between 73.8 cents and 74.8 cents per pound on international commodity exchanges. One bale equals 480 pounds or 218 kilograms.

Bangladesh is forecast to increase its imports by 1 percent to 6.43 million bales, making it the largest importer in 2016-17. Vietnam's imports are projected

to rise 19 percent to just under 5.52 million bales, according to the ICAC.

World cotton production in 2016-17 is projected to rise 8 percent to 104.72 million bales, which may put pressure on cotton prices in the latter half of the season, the ICAC said.

The world's ending stocks may fall by 7 percent to 82.68 million bales in 2016-17, though stocks outside China are expected to grow 6 percent to 39.96 million bales.

The current season started with a large shrinkage in stocks, particularly from countries in the southern hemisphere, which saw ending stocks in 2015-16 fall 21 percent to 7.34 million bales, the lowest since 2009-10.

The shortage in supply carried through the first few months of the 2016-17 season, as the bulk of the crop was still being harvested, keeping prices firm.

With the exception of China, cotton

production is projected to be higher in the top five producing countries. India's cotton production is forecast to increase 4 percent to just under 27.56 million bales, making it the world's largest producer, the ICAC said.

Despite declining by 4 percent to 21.12 million bales, China would be the second largest producer in 2016-17.

Production in the US could rise 28 percent to 16.53 million bales, while production in Pakistan will recover 20 percent to 8.27 million bales, as efforts to prevent the reemergence of pink bollworm have been effective.

Additionally, cotton production in the southern hemisphere, primarily Brazil and Australia, is expected to rise 21 percent to 12.87 million bales, which could put pressure on prices through the end of 2016-17 to the start of the next season as both countries are also large exporters.

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GP's digital healthcare serves 20 lakh in seven months

Star Business Report

Tonic, a digital healthcare system, has served about 20 lakh people in Bangladesh from June to December 2016, with thousands registering for this service every day.

Grameenphone customers can sign up for this service by dialling *789# or download its mobile app to get the service. Except for the voice call, the health advice is completely free of charge, said officials.

Tonic, developed by Telenor Health, uses mobile technology to provide health information, advice and services.

Telenor, the parent company of Grameenphone, introduced the service in Bangladesh last year and now plans to replicate the data-driven solution in other countries where it operates: Myanmar, Thailand and Malaysia.

"It clearly shows that there is a

huge appetite for technology-based healthcare," said Sajid Rahman, chief executive officer of Telenor Health.

They did not expect such huge feedback when they launched the service, he added.

Since the launch of the service, Tonic has paid Tk 1,000 each for 1,500 health insurance claims. They also provided more than 16,000 discounts at 200 hospitals, pharmacies and diagnostic centres to their registered customers.

Customers can get discounts of up to 40 percent on hospital care. To receive the discount, members have to send an SMS with the hospital code to 789.

Telenor Health arranged an informal gathering on Thursday in Dhaka to discuss their success over the last seven months. However, they did not disclose future investment figures.

Through phone calls, more than one lakh consultations have taken

place in the last couple of months, while 30 percent of those calls were related to child health, said Dr Fred Hersch, chief medical officer of Telenor Health.

Grameenphone first introduced digital healthcare in 2010, where customers could speak to a doctor by calling 789.

Currently, the company has 40 doctors in their pool, who are serving customers around the clock, said officials.

Each call costs Tk 5 a minute, which has been approved by the telecom regulator, said Matthew Guilford, chief commercial officer of Telenor Health. "We are only charging the customers here. All other services are free."

When a customer calls, the doctor can view the customers' health history that is stored in the database and recommend treatment.

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