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Star BUSINESS

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3 state banks to raise Tk 4,100cr in bonds

Banks to use the money to meet capital shortfall

REJAUL KARIM BYRON

Three state banks are going to issue different types of bonds worth Tk 4,100 crore to meet a huge shortfall of capital.

The central bank has already given primary consent to BASIC Bank, Janata Bank and Rupali Bank with some conditions, to help them improve their financial health.

BASIC Bank will issue cashless bonds of Tk 2,600 crore -- for the first time in the country's banking sector -- which will only be used to show the bank's financial health as strong, said a finance ministry official.

Against the bond, BASIC Bank Interest Free Capital Bond, the bank cannot raise money from the market.

The government's liability is that if the bank ever folds up, it will have to repay the money on behalf of BASIC Bank. The finance ministry has consented to the issue of a 10-year Tk 800 crore bond, 15-year Tk 800 crore bond and 20-year Tk 1,000 crore bond.

Although the type of bond BASIC Bank wants to issue is new in Bangladesh, it has been issued in Asia before.

During the Asian economic crisis

BY THE NUMBERS

- BASIC Bank will issue cashless bonds of Tk **2,600**cr
- Janata Bank will issue subordinated bonds worth Tk **1,000**cr
- Rupali Bank to issue bonds of Tk **500**cr
- BASIC Bank has a capital shortfall of Tk **2,684**cr
- Janata Bank's capital deficit is Tk **73**cr
- Rupali Bank's capital shortfall is Tk **714**cr

The government provided BASIC Bank Tk 2,600 crore in phases. As on December 31 last year, the bank's capital shortfall was Tk 2,684 crore.

The bank's non-performing loan (NPL) was Tk 7,229 crore, which is 54 percent of its total outstanding loans as of December 31 last year. BASIC's NPL was Tk 6,392 crore a year ago.

On the other hand, Janata and Rupali will issue subordinated bonds worth Tk 1,000 crore and Tk 500 crore respectively, said an official of Bangladesh Bank.

Subordinated debt is a loan or security that ranks below other loans and securities with regard to claims on a company's assets or earnings. It is more risky, as it is paid after all other debts are repaid, in case of borrower default.

Against this bond, the two banks can raise money from the market but they have to invest the money in profitable sectors.

Janata Bank's capital shortfall is Tk 73 crore, with a capital to risk-weighted assets ratio (CRAR) of 10.19 percent, which is required to be above 10.6 percent.

Rupali Bank's capital shortfall is Tk 714 crore, with a CRAR of only 5.88 percent.

In 1997, Thailand, Malaysia and China issued such bonds to enable their financial institutions to function properly, the finance ministry official added.

In 2009, when Abdul Hye Bachchu was made chairman of BASIC Bank, the bank's financial situation started to deteriorate due to various scams.

Despite initiatives to improve its financial health after the appointment of Alauddin A Majid as the chairman in July 2014, the bank is still suffering from a huge capital deficit and increasing classified loans.



Visitors take a look at a sari made of jute fibre, at a fair to mark the National Jute Day-2017, at the Krishibid Institution Bangladesh in the capital yesterday.

Go for less costly alternatives to savings tools: IMF

STAR BUSINESS REPORT

The government's increasing reliance on high-cost savings instruments impedes modernisation of the financial sector and distorts the market, International Monetary Fund said yesterday.

"The authorities could consider whether there are better targeted and less costly alternatives that achieve the

government's social policy goals without distorting financial markets," said Brian Aitken, head of an IMF mission, at a press conference at Bangladesh Bank headquarters.

Aitken and his team visited Dhaka from February 26 to March 9 to assess the health of the Bangladesh economy and financial sector as part of IMF's annual review under an arrangement

termed Article IV Consultation.

He suggested Bangladesh maintain a healthy foreign exchange reserve to ward off any external shock and ensure resilience of the economy. The IMF mission shared the observation as a large number of savers prefer investing in savings instruments that yield higher interest than bank deposits.

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Bangladesh needs agro-commodity value chain: analysts

STAR BUSINESS REPORT

The country should develop a value chain for agricultural and commodities sectors to link growers and producers with processors and markets as well as add value to products, according to speakers.

They said the private sector has to come forward to help the country build the value chain to have a meaningful impact.

They made the comments at a discussion at The Daily Star Centre in Dhaka yesterday. Unnoty, an investment of LightCastle Partners, organised the programme.

Representatives from Rahimafrooz Group, ACI, Pran, Saint Martin Group and Partex Agro attended the discussion, speaking on a wide array of issues such as food safety, post-harvest and data collection.

Niaz Rahim, director of Rahimafrooz Group, said Unnoty is a much-needed platform for connecting, inspiring, and educating



Analysts take part in a roundtable on the agriculture sector, at The Daily Star Centre in Dhaka yesterday.

ing the main drivers of the agricultural produce of the country.

"As a forward market actor, we will be happy to provide support to Unnoty," he said.

Tashiur Rahman, director of Saint Martin Group, said in

Bangladesh there is always a concern about product certification.

If Unnoty can bridge that gap and address proper certification, more people will be encouraged to get involved in developing the value chain. M Saifur Rahman, co-

founder of LightCastle Partners, said there has been a rise of tech start-up accelerators in Dhaka recently.

"We believe that this kind of ecosystem is needed to benefit the growth of small and medium

businesses in semi-urban and rural areas."

Last year, LightCastle Partners launched Unnoty, a peer-to-peer accelerator network which works to enable growth of small and medium enterprises.

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Depositors seek protection not higher return from banks: study

STAR BUSINESS REPORT

People do not take interest rate into account while keeping their deposits with banks, rather they seek protection for their investment, study finds.

State-owned banks are still considered as the safest to the depositors followed by foreign banks among the different bank groups, according to a study on the perception and behaviour of the depositors in the banking sector.

Bangladesh Institution of Bank Management (BIBM) released the report yesterday at a function held at BIBM auditorium in the capital.

Twenty seven percent of the depositors switch from one bank to another for higher interest rates, according to the survey. In terms of perceived safety, 39 percent preferred government banks while 34 percent foreign and 27 percent private commercial banks.

Though, the market share in deposits by state owned banks shows different scenario.

State banks have 27.85 percent share in total deposits while foreign banks have only 4.25 percent. Private commercial banks have the highest 65.15 percent shares in total deposits, Bangladesh Bank data shows.

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Deepen worker-owner relations: Bernicat

STAR BUSINESS REPORT

US Ambassador Marcia Bernicat yesterday suggested further strengthening of industrial relations between the owners and the workers in the garment sector to settle disputes and avoid unrest.

"The workers have their voices and the manufacturers also have their voices. So they should sit together to resolve problems," she said at a media briefing in Ashulia.

Bernicat said differences arise when workers and owners do not talk to each other.

The briefing took place at the office of the Workers Community Centre run by Awaj Foundation, a rights group. The centre works for the local people in the areas of health, housing and rights.

Earlier, the US diplomat visited the offices of Bangladesh Independent Garment Workers Union Federation and Bangladesh Center for Workers Solidarity.

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