

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
0.10%	0.08%	\$1,254.00	\$52.90	0.72%	0.27%	0.21%	0.58%	BUY TK	79.95	83.59	98.17
4,683.46	10,675.07	(per ounce)	(per barrel)	29,788.35	18,747.87	3,174.75	3,288.19	SELL TK	80.95	87.19	101.77

star BUSINESS

DHAKA WEDNESDAY APRIL 12, 2017, CHAITRA 29, 1423 BS

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Banks step up efforts to cut cost of funds

JEBUN NESA ALO

Private banks have now turned their focus on bringing down their cost of funds to get a competitive edge over peers in the saturated market, bankers said.

Of the 39 private banks, most have taken different measures to increase the contribution from non-term deposits like current and savings account (CASA) to their deposits.

A CASA, which combines savings and checking accounts into one, operates like a normal bank account in which funds may be utilised at any time.

Because of the flexibility, a CASA has a lower interest rate than a term deposit as the bank does not have a

guarantee all the funds are available to loan for a specific period of time.

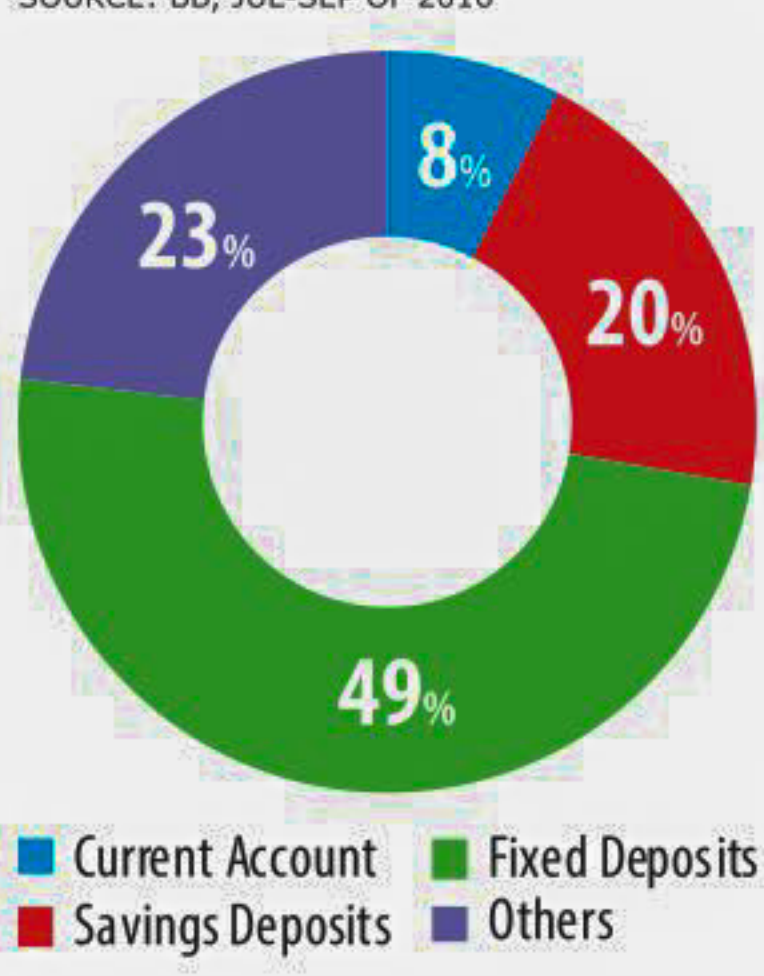
Typically, interest is accrued on monthly average balance and applied at each quarter-end on such accounts. And the interest rate tends to be between 2 percent and 4 percent.

A higher CASA ratio indicates a lower cost of funds. If a large part of a bank's deposits comes from these funds, it means that the bank is getting those funds at a lower cost. In India, it is used as one of the metrics to assess profitability.

Bangladesh Bank data shows fixed deposits, which are costlier than other types of deposit products, have been declining over time.

The share of fixed deposits stood at 48.84 percent in the July-

SHARE OF DEPOSITS IN DIFFERENT SEGMENTS



September period of last year, in contrast to 51.82 percent a year earlier. Fixed deposits accounted for over 70 percent of the banks' total funds four years ago.

"CASA has become my passion," said Anis A Khan, managing director of Mutual Trust Bank, which has been doing well in attracting this low-cost fund in last several years.

A few years ago, MTB's CASA ratio was 20 percent. Now, it is 38 percent. MTB's CASA ratio has been growing at double digits in every year since 2008 except for 2012 when the bank went through restructuring to set up alternate delivery channels like cash machines, internet and SMS banking, credit cards, 24-hour call centre.

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Banks need a central database of collateral

Analysts suggest ways to fight loan frauds

STAR BUSINESS REPORT

The banking sector needs a central database of collateral as there is a tendency among borrowers to take multiple loans against a single asset, in a violation of rules.

A collateral profile of clients is not maintained, which leads to higher default loans, speakers said at a discussion styled 'Credit Operations of Banks' yesterday at the Bangladesh Institute of Bank Management in Dhaka.

A Management Information System (MIS) for collateral profiles is being maintained by only 40 percent of state owned commercial banks and 59 percent private commercial banks, according to a paper presented at the workshop.

Only the foreign commercial banks fully maintain a collateral profile, according to the paper -- Credit Operations of Banks 2016 -- presented by Prashanta Kumar Banerjee, professor and director of BIBM.

A unified collateral database will easily show the mortgaged assets before giving loans, said Helal Ahmed Chowdhury, a veteran banker and supernumerary professor of BIBM.

The government can develop the database through the land registry office as all the registry offices have been digitized, said Chowdhury, also an independent director of Islami Bank.

Banks take a non-encumbrance certificate from the government before taking land mortgage as collateral, he added.

If a data bank of all the lands in the country is maintained, similar to Credit Information Bureau database of the central bank, then it will remove the tendency of taking loans against the same assets, he said.

Banks do not properly maintain a collateral profile, said Mohammed Nurul Amin, managing director of Meghna Bank. Doing so will reduce the default risk, he added.

The highest percentage of loans in the banking sector is secured by real estate, which leaves these loans partly unsecured due to price volatility of such assets, according to the report.

The survey found that 59.27 percent of advances of all banks were secured by real estate in 2016, which was 58.30 percent in 2015.

The use of real estate as collateral was always popular as the value of this asset is high, the report stated.

The proportion of unsecured advances of all banks in 2016 was 1.01 percent, which was 0.92 percent in 2015.

In 2016, private commercial banks gave the highest segment of loans against real estate at 63.66 percent; foreign banks gave the most loans against machinery and fixed assets at 25.28 percent.

The choice of security is also important for banks to mitigate the risks associated with loans, the report said.

The report stated that real estate is considered as the sensitive security that may suffer from price volatility, leaving loans partly unsecured and may lead to strategic default.

According to the review report, banks mostly preferred rescheduling, restructuring and negotiation to recover loans instead of going to the court due to dalliance.

The most applied measure for recovery, except for going to the court, was loan rescheduling and restructuring by 96.67 percent banks in 2016.

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Temporary staff run insurance regulator

STAR BUSINESS REPORT

The Insurance Development and Regulatory Authority (IDRA), which regulates the country's 77 insurers, is being run with only 63 employees -- and all of them are temporary staff members.

Though the government has approved an organogram for the IDRA in 2016 -- six years after the law was passed in March 2010 -- the

organisation is yet to hire anyone in the absence of required rules and regulations.

"We are in the final stage of formulating the rules and regulations," said Gokul Chand Das, chairman, current charge, of the IDRA.

The finance ministry is yet to decide on the fate of the existing employees, he said, adding that all of them are working on a temporary basis.

Though the IDRA has recommended absorbing all the current employees into the new organogram, the finance ministry is opposed to the idea on the ground that the public administration rules do not support it.

The uncertainty about their future has left all the existing employees jittery.

"We are under great anxiety as many of us have crossed the 30-year

age limit for government jobs," said a frustrated official of the IDRA requesting not to be named. He joined the organisation in 2011.

Another official said he had no idea that they would not be absorbed into the new organogram once approved by the government.

Of the 63 existing employees, 37 are officers and the rest are lower level staff members.

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Ecneec okays eight projects of Tk 3,289cr

STAR BUSINESS REPORT

The Executive Committee of the National Economic Council (Ecneec) yesterday approved six new and two revised projects worth Tk 3,289.43 crore.

The approval came at an Ecneec meeting chaired by Prime Minister Sheikh Hasina at the auditorium of the National Economic Council in Dhaka.

Of the total project cost, Tk 2,412.44 crore will come from the national exchequer, Tk 34.59 crore from the own funds of the respective organisations and Tk 842.40 crore from project assistance, Planning Minister AHM Mustafa Kamal said.

Three of the projects were taken to widen the regional highways at Khulna, Comilla and Rangpur zones at a cost of Tk 1,674 crore, he said.

The regional highways will be of proper width and standard after the work for upgrade is complete by December 2019, Kamal said. Another project was taken for the construction of Barisal Metropolitan and Khulna district police line.

He said the prime minister asked the authorities concerned to bring a project addressing the accommodation problem of police in various police lines across the country.

The coastal town environmental infrastructure project (first revised) was approved at the meeting.

PROJECTS AND ALLOCATION	
Regional highway upgrade in Khulna at Tk 600cr, in Comilla at Tk 476cr and in Rangpur at Tk 598cr	
Construction of Barisal Metropolitan and Khulna district police line at Tk 152cr	
Coastal town environmental infrastructure project (first revised) at Tk 1,057cr	
Roads development in Rajshahi at Tk 173cr	
Development of Kishoreganj-Karimganj-Chamraghat-Mithamain road at Tk 132cr	
Installation of two automatic 10 Kilowatt FM radio station centres at Mymensingh and Gopalganj districts (first revised) at Tk 100cr	

Projects were also approved for roads development in Rajshahi and development of Kishoreganj-Karimganj-Chamraghat-Mithamain road (Chamraghat-Mithamain portion).

The last of the list was a project for the installation of two automatic 10 Kilowatt FM radio station centres at Mymensingh and Gopalganj districts (first revised).

Bangladesh yet to benefit from second submarine cable

Inland link may be ready by this month

MUHAMMAD ZAHIDUL ISLAM

The ICF sector is being deprived of the benefits of the country's second undersea cable, as its inland link is still not ready for commercial use.

Bangladesh got connected with the South East Asia-Middle East-Western Europe 5 (SEA-ME-WE 5) cable at the landing station in Kuakata on February 21; the government had a target to inaugurate it by mid March.

All the 18 other consortium members, except Bangladesh, have been enjoying the services for the last two months or so.

Until the cable is connected, Bangladesh is unable to reduce its dependency on bandwidth imports from India either, said industry insiders.

Bangladesh Submarine Cable Company Ltd (BSCCL) was one of the founding members of the undersea cable.

An inland link has been installed but before an alternative cable is installed, BSCCL cannot go for a commercial launch, said officials.

"We can't say exactly when we will be able to start our services through this cable," said Monwar Hossain, managing director of BSCCL.

The work on the alternative link is underway, and it is scheduled to be completed in the last week of this month, said

Hossain.

There will be a coordination meeting on April 25; a probable time can be declared then, he added.

Earlier on March 2, during a visit to the landing station, State Minister for Telecom Tarana Halim told journalists that commercial operations of the cable would begin in the first half of March.

However, when asked on Monday, she declined to comment on the matter. Tarana attended a meeting on this issue last week and asked authorities to submit a report on it.

As per the telecom act, BSCCL cannot establish any connectivity link and that is why it is depending on state-owned Bangladesh Telecommunications Company Ltd (BTCL) for it.

For the last two years, BTCL has been working on it but failed to complete the connectivity from Kuakata to Dhaka. BTCL communication team declined to comment.

After being connected with the cable, the country will get an additional 1,400 gigabits per second (Gbps) of bandwidth, which will reduce bandwidth imports from India.

Bangladesh is now using 170 Gbps bandwidth of its first submarine cable, and importing another 240 Gbps from India.

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Stocks continue to fall for fifth session

STAR BUSINESS REPORT

Large cap securities continue to weigh down stocks for the fifth consecutive session yesterday.

DSEX, the benchmark index of the Dhaka Stock Exchange, fell 6.2 points, or 0.1 percent, to finish the day at 5,683.46 points. The market failed to break the losing streak, despite early morning enthusiasm, IDLC Investments said in its regular analysis.

"At one point in the early hours, DSEX rose by 37.5 points, but continued to decline onwards, as supply overwhelmed demand in the market," the merchant bank said.

The daily turnover, another important indicator of the market, however increased 8.3 percent to Tk 782.62 crore, with 2.4 crore shares and mutual fund units changing hands on the DSE.

Of traded issues, 142 advanced and 138 declined with 45 securities closing unchanged on the premier bourse.

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Bangladesh should explore markets in Malaysia

Malaysian minister tells DCCI leaders

STAR BUSINESS REPORT

Bangladesh should explore markets for its jute and jute goods, agro-products, spice, furniture, and dairy products in Malaysia as there is huge demand for such items, a Malaysian minister said.

Malaysian investors are keen to invest in clean energy and energy waste management projects in Bangladesh, said Encik Malcom Mussen, assistant minister for agriculture at Sarawak state.

Mussen was part of a 40-member trade delegation from the Kuching Chinese General Chamber of Commerce & Industry (KCGCCI) of Malaysia,

Dhaka Chamber of Commerce and Industry (DCCI) said in a statement.

The delegation held a meeting with the leaders of DCCI in the capital yesterday.

KCGCCI Commerce Committee Chairman Christopher Ngui Siew Ling said export diversification would help Bangladesh become competitive in Malaysian market.

DCCI President Abul Kasem Khan said Bangladesh needs huge investment in the energy and infrastructure sector.

He said Bangladesh has a large untapped market of halal products, which can jointly be explored by Bangladeshi and Malaysian entrepreneurs.

Khan also said the current bilateral trade and economic cooperation between Bangladesh and Malaysia is far below the potential.

He invited Malaysian businessmen to import Bangladesh's best quality jute and jute goods.

"There is a huge potential for expansion of bilateral trade and investment between Malaysia and Bangladesh."

In order to increase the bilateral trade to the expected level and reduce trade deficit, a free trade agreement between the two countries needs to be inked, Khan said.

DCCI Directors Imran Ahmed, Akber Hakim, Vice President Hossain A Sikder and Secretary General AHM Rezaul Kabir were also present.

Exports to UK will not be hampered for Brexit

STAR BUSINESS REPORT

Bangladesh's export to the UK will not suffer any adverse effect of Brexit, the British government has assured Finance Minister AMA Muhith.

The assurance came from Lord Bates, the state minister for international development for the UK, who is visiting Bangladesh. Lord Bates met with Muhith at his Economic Relations Division office yesterday.

After the meeting the finance minister told reporters that Lord Bates informed him that there was no possibility of any negative impact of Brexit on export from Bangladesh.

"I think the export of Bangladeshi goods to the UK will increase," Muhith said.

The finance minister said he presented some problems to the UK minister, with one of them being the declining British assistance.

Muhith said Lord Bates told him that the reason for the declining British aid was that Bangladesh was doing well on its own.

"I said, the decline is very steep. Such a steep fall is not desirable," the finance minister said.

The UK assistance to Bangladesh comes in the form of grant. About 8 to 10 years ago, the amount was £231 million, which is now £100 million.

The finance minister said Lord Bates praised Bangladesh for its huge development and enquired how it happened.

"I explained the factors behind Bangladesh's development. One of those is poverty alleviation," Muhith added.