

star

BUSINESS

DHAKA FRIDAY DECEMBER 29, 2017, POUSH 15, 1424 BS

Banks' mad rush to secure deposit

SAJJADUR RAHMAN and JEBUN NESA ALO

Even last month, the interest rate on bank deposit was as low as 5 percent. Then, at the beginning of this month, as if on cue, the rate, which was lower than the inflation rate of 6 percent, started creeping up.

The trigger for the sudden hike was the freeing of Tk 51 crore from ONE Bank's current account with the Bangladesh Bank and Tk 25 crore from Premier Bank's for going way past the limit set for loan-deposit ratio.

To avoid the same fate, many banks that were flirting dangerously with the ceiling went on a desperate attempt to secure deposits.

"Some banks that have high loan-deposit ratio are running after deposits to avoid the regulator's punishment," said Abdul Halim Chowdhury, managing director of Pubali Bank.

The ongoing liquidity crisis at Farmers Bank as well as the higher-than-expected private sector credit growth -- over 18 percent -- also made deposits dearer, bankers said.

Private sector credit growth stood at 18.63 percent in October -- way past the monetary ceiling of 16.2 percent set for the second half of this year, according to data from the central bank.

FLASHBACK 2017



"We see a sudden pressure on deposits as many banks are running after money," said Shafiqul Alam, managing director of Jamuna Bank.

A rise in the demand for funds has pushed banks' interest rate for deposit by 50-200 basis points in recent days.

Top bankers said some lenders are making some last-ditch efforts to show their 2017 report card to be better than how they actually fared during the course of the year.

READ MORE ON B3

Fish farming bogged down by losses

SIFAT AFRIN SHAMS

Inland fish producers are incurring heavy losses as the market price of fish remains stagnant amid spiralling costs of production.

Take, for instance, Noor Khan, a fisheries owner in Mymensingh's Trishal upazila, who is counting losses of Tk 15 on per kilogram of Pangasius fish. His production cost is Tk 80 per kg but the most the fish is fetching is Tk 65 per kg.

The developments come against the backdrop of a great success story of inland fish producers, who made Bangladesh the fifth largest producer of cultured fish in the world in 2016, according to the Food and Agriculture Organisation.

But the rapid growth in fish production is proving to be a curse for the inland fish farmers: its market did not increase accordingly and neither did its price.

Meanwhile, the prices of raw materials like fish feed are on the rise.

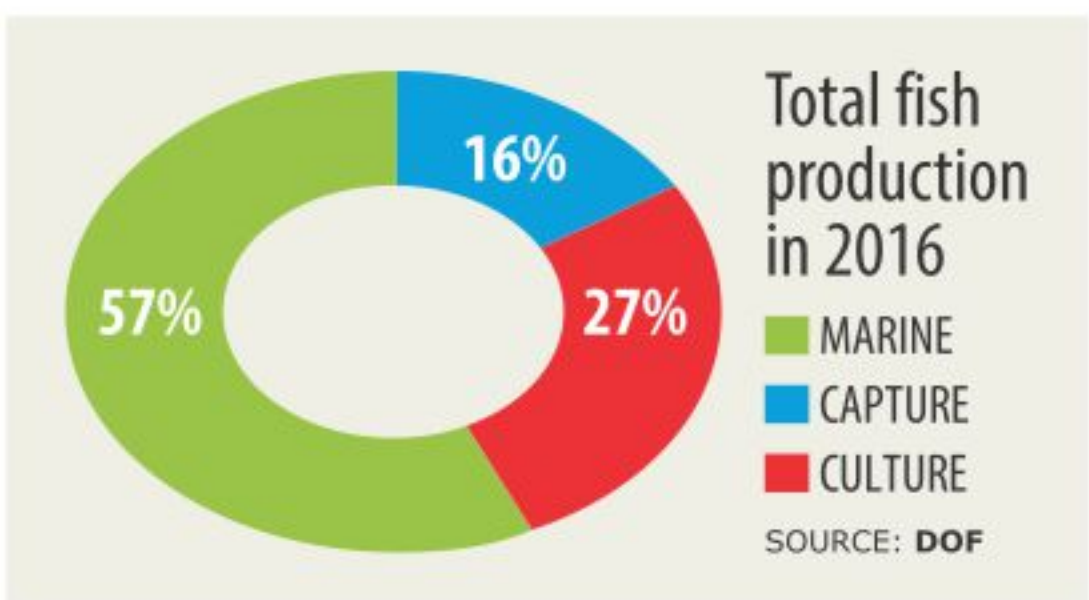
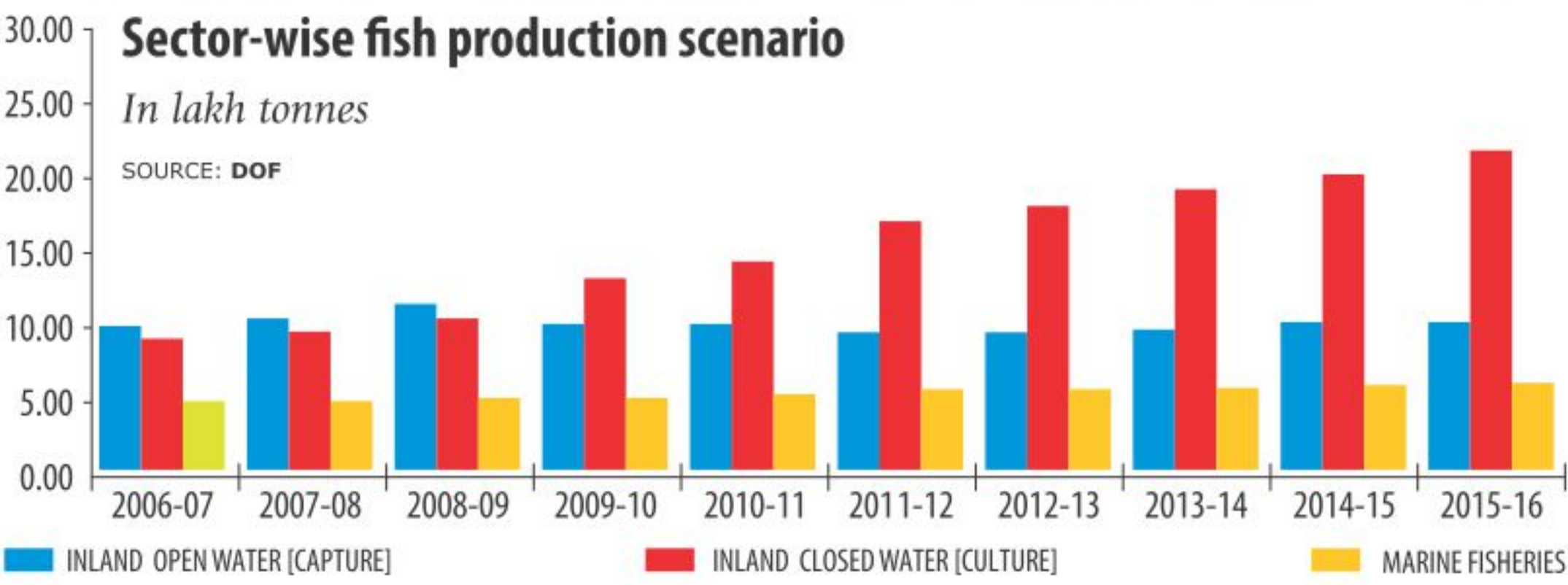
The price of fish feed, the main raw material used in fish culture, has increased 15-20 percent over the course of 2016, according to Khan.

Inland fish culture accounted for 56.82 percent of total fish production in fiscal 2015-16, according to the Department of Fisheries.

And yet the sector is not getting the attention from the government.

"Neither do they address the problem of losses the farmers are facing nor do they take any measures to avert such a situation," said Shamsul Alam from Mymensingh, a fishery and hatchery owner involved in fish culture for more than 20 years.

READ MORE ON B3



Fish prices at wholesale level (Tk/kg)		
FISH	2015	2016
Pangasius (big)	113.11	112.40
Pangasius (small)	96.58	97.26
Silver carp	117.72	116.78
Tilapia	122.58	117.17
Grass carp	143.05	140.70
Rohu (medium)	288.73	291.83
Cat fish	569.15	548.58

SOURCE: BBS

Prime Bank arranges Tk 600cr for BSRM

STAR BUSINESS DESK

Prime Bank has recently arranged a syndication loan as lead arranger through raising Tk 600 crore for Bangladesh Steel Re-Rolling Mills Ltd (BSRM).

This is the bank's 29th syndication deal signed at a local hotel in the capital, the bank said in a statement on Wednesday. Prime took part in loan syndication with City Bank, Dhaka Bank, Jamuna Bank, Mercantile Bank, NCC Bank, Pubali Bank and Trust Bank, according to the statement.

Managing directors of the participating banks attended the programme. BSRM began its journey in 1952 as the country's first steel re-rolling mills. The company is listed on Dhaka and Chittagong stock exchanges.

Lion's share of SME loans goes to traders

AKM ZAMIR UDDIN

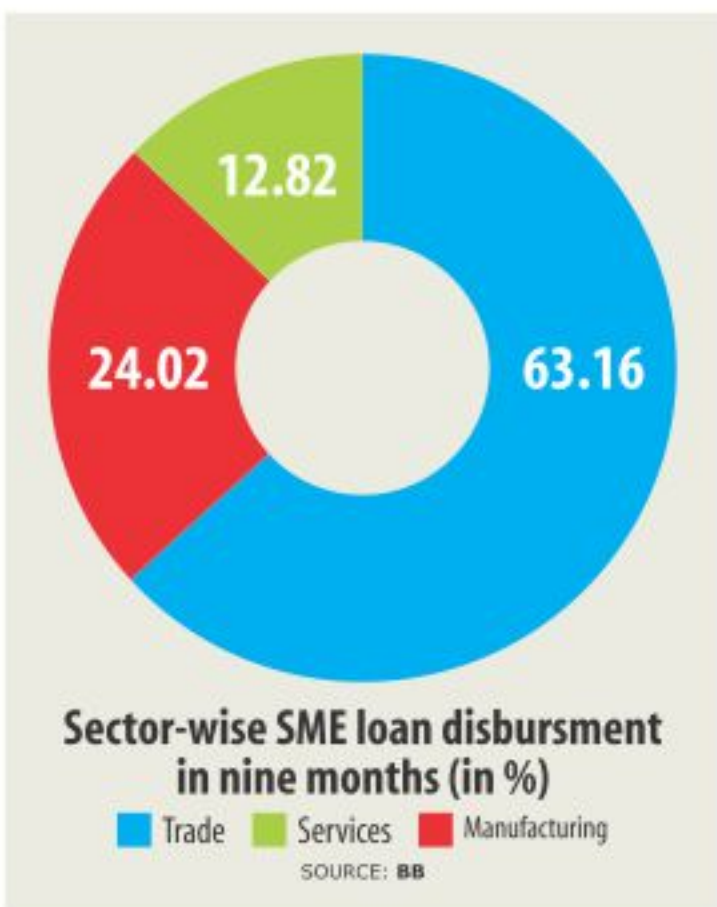
As much as 63 percent of the SME loans disbursed in the first nine months of the year went to the trading sector, neglecting the manufacturing zone in the process.

In the first nine months of the year, Tk 77,718 crore of SME loans was disbursed to the trade sector, up 20.28 percent year-on-year.

"It is not a good indication at all that a lion's shares of SME loans have been disbursed in the trade sector," said Salehuddin Ahmed, a former governor of the Bangladesh Bank.

The manufacturing sector accounted for 24.02 percent of the total SME loans disbursed during the period and the service sector 12.81 percent.

Between the months of January and September, banks and non-bank financial institutions managed to disburse 92 percent of their SME target for the year. The target



was Tk 133,853 crore.

"The central bank should investigate whether the disbursed loans had actually gone to the SME sector," Ahmed said.

The banks might have showed other disbursed credit as SME loans as clients are allowed to take about Tk 10 crore from banks in

the name of investment in small and medium enterprises.

"Banks prefer the trade sector as it is relatively less risky than the manufacturing sector."

The former BB governor went on to urge banks to bump up their loan disbursement to the manufacturing sector as employment generation will give a boost if the sector enjoys sufficient credit.

The economy will not benefit if the majority of the loans go to the trade sector, said AB Mirza Azizul Islam, a former finance adviser.

Banks have recently given importance to disbursing SME loans to avoid default loans, said Shafiqul Alam, managing director of Jamuna Bank.

He however acknowledged that banks sometimes show reluctance to disburse loans to the manufacturing sector on the ground that they have large amounts of capital expenditure.

City Bank gets \$15m from Austrian lender

STAR BUSINESS DESK

City Bank has recently arranged a fund of \$15 million from a development bank of Austria, to support the growing needs of City's small and medium enterprises, garments and offshore banking portfolios.

Sohail RK Hussain, CEO of City Bank; Andrea Hagmann, executive director of the Austrian bank Oesterreichische Entwicklungsbank AG (OeEB), and Sabine Gaber, managing director of OeEB's investment finance division, signed the financial deal in Vienna.

Sheikh Mohammad Maroof, deputy managing director of City Bank; Mahbub Jamil, head of structured finance, and Ilka Vogel, vice president of OeEB for investment finance, were also present at the ceremony.

Dhaka stocks end week on positive note

STAR BUSINESS REPORT

Dhaka stocks ended the week's last trading session on a positive note yesterday, amid active participation of investors expecting a good performance at the end of the year.

The benchmark index, DSEX, increased by 58.06 points or 0.93 percent to 6,244.5 yesterday. The daily market turnover surged by 13.84 percent to Tk 628 crore from the previous day.

The market started the session on a positive note and maintained the upward trend throughout the session with participation of all across the sectors, UCB Capital said in its daily market analysis.

Banking equities were the turnover leaders, contributing 33.54 percent of the total, according to the analysis. Among the major sectors, banking and pharmaceuticals reported gains of 1.17 percent and 0.91 percent respectively.

Lafarge Surma Cement was the highest traded share with a turnover of Tk 30.61 crore followed by Islami Bank with Tk 24.92 crore.

Of the traded securities, 112 gained, 202 declined and 25 remained unchanged. Chittagong Stock Exchange also closed the week up, with its major index ending 145.30 points higher at 19,268.04.

BB warns against cryptocurrencies

STAR BUSINESS REPORT

Bangladesh Bank has issued a cautionary notification against settling online transactions in virtual currencies like Bitcoin.

There is no legal framework on cryptocurrencies like Bitcoin, Ethereum, Ripple and Litecoin in any country includ-

tools as virtual currency is not legally recognised by the central bank or payment system authority of any country.

Besides, transactions through the online-based currencies are not authorised in line with the prevailing Foreign Currency Regulations Act-1947, Anti-Terrorism Act-2009 and the Money

Laundering Prevention Act-2012.

Such transaction may violate the existing money laundering prevention act and anti-terror financing regulations, the central bank said.

READ MORE ON B3



REUTERS/FILE

A toy figure is seen on representations of Bitcoin currency in the illustration picture.

ing Bangladesh, so all concerned should avoid transactions through the online-based currencies, the central bank stated in the notice on its website.

Clients will face financial and legal risks while settling transactions through the

