

DSEX ▲ 0.34% 5,924.53
CSCX ▲ 0.26% 10,997.04



Gold ▲
\$1,302.40
(per ounce)



Oil ▲
\$61.26
(per barrel)

MUMBAI ▼ 0.18% 35,592.50
TOKYO ▲ 0.08% 20,664.64
SINGAPORE ▼ 0.37% 3,187.69
SHANGHAI ▼ 0.10% 2,594.25

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BUSINESS

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BB to guard against inflation in first half Monetary policy to be announced today

AKM ZAMIR UDDIN

The central bank is set to bring down the private sector credit growth target for the first half of 2019 slightly with a view to containing inflationary pressure.

The monetary policy for the January to June period will be announced today by Bangladesh Bank Governor Fazle Kabir.

Although inflation dropped to a 19-month low in December last year, there are fears it will surge surrounding the post-election optimism.

In the monetary policy for the second half of 2018, the private sector credit growth was set at 16.80 percent.

"It will be lowered by 0.10 to 0.20 percentage points," Jamaluddin Ahmed, a

KEY ASPECTS OF MPS

- Repo, reverse repo rates and CRR to be kept unchanged
- Prices to be kept in check as inflation may rise
- Disbursement of quality credit to be ensured to thwart loan scams
- Job creation to be encouraged by injecting funds into productive sector

director of the central bank board, told The Daily Star yesterday.

He, however, said the revised target will not raise the alarms on the private sector as it will be above 16 percent, which is good enough for achieving the 7.8 percent GDP growth the government is aiming for this fiscal year.

The forthcoming monetary policy will focus on ensuring the disbursement of quality credit and tackling the upward trend of core inflation, Ahmed said.

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High NPLs to slow growth

PRI suggests loans shouldn't be concentrated in large borrowers

STAR BUSINESS REPORT

High non-performing loans (NPLs) are threatening the growth and stability of the economy, the Policy Research Institute of Bangladesh said yesterday, calling for stemming loan concentration to large borrowers and cutting the number of state banks.

The think tank said NPLs and classified loans have increased significantly, especially in the state banks, with the top 20 borrowers holding a third of the default loans.

"Banks and borrowers have created this situation and large borrowers have held the banking sector hostage," said PRI Chairman Zaidi Sattar in a presentation on "State of Bangladesh Economy 2018: Managing Vulnerabilities and Creating Opportunities to Sustain Growth" at his office in Dhaka.

The PRI said the recent economic growth of Bangladesh has helped the country to be one of the top 10 fastest growing nations in the world.

"The economy is geared for growth. But sustaining and accelerating growth will be the challenge. Growing vulnerabilities will need to



Planning Minister MA Mannan speaks at a discussion on the state of Bangladesh economy at the office of the Policy Research Institute of Bangladesh in Dhaka yesterday. PRI Chairman Zaidi Sattar, second from left, was present.

be addressed," said Sattar.

He cited uncertainties in the global economy, weak revenue collection, modest growth in private investment and foreign investment flows, slowdown in jobs growth, excessive dependence of the economy on the

garments sector and the rising NPL as the future challenges for the economy.

Sattar suggested stopping loan concentration to large borrowers to prevent NPL accumulation.

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24 firms sued for evading VAT at Dhaka trade fair

STAR BUSINESS REPORT

Customs, Excise & VAT Commissionerate has sued 24 reputed organisations for not paying VAT on sales in this year's Dhaka International Trade Fair.

A team of the Commissionerate of Dhaka West Zone visited the trade fair premises at Dhaka's Sher-e-Bangla Nagar yesterday and found irregularities in the stalls of these organisations, Moinul Khan, commissioner of Customs and VAT (Dhaka West Zone), told The Daily Star.

One of the companies was found to have paid only Tk 15,000 VAT when it was supposed to pay Tk 4 lakh in a day, the commissioner said.

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CURBING MONOPOLY Call on GP's SMP status today

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator will sit today to take a call on whether Grameenphone will be declared the Significant Market Power (SMP) operator, a move that can shake up the country's mobile telephony landscape.

The SMP is a regulation that imposes restrictions on an operator once it corners 40 percent of the subscribers, revenues and spectrum.

As of December last year, Grameenphone has 46.33 percent share of the active customer base. For the last few years, the operator's revenue share has been more than 50 percent.

Within the next couple of weeks Bangladesh Telecommunication Regulatory Commission will decide what restrictions will be placed on the SMP operator, a top official of the regulator told The Daily Star yesterday.

The BTRC in its regular commission meeting yesterday discussed the matter and found only Grameenphone as the operator with more than 40 percent revenue and customer market share, said its acting chairman Md Jahurul Haque.

"It is a very vast issue. We have discussed the matter for hours and we will sit again tomorrow (today) and take a final decision."

It will take hardly two weeks to go into implementation after taking the decision, said Haque, also the commissioner of BTRC's legal and licensing department.

Significant Market Power status to deter investment, operator says

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Advance-deposit ratio now within regulatory limits

JEBUN NESA ALO

The average advance-deposit ratio (ADR) of private banks came down within the regulatory limit in September last year after going past the ceiling in April, thanks to adequate liquidity.

The ratio came down to 84.38 percent in September from 86.23 percent in April, according to Bangladesh Bank data.

Currently, banks are required to maintain an ADR of 85 percent, meaning they can lend Tk 85 against a deposit of Tk 100.

In January last year, the BB slashed the ADR by 1.5 percentage points to 83.5 percent in a bid to tighten banks' capacity to lend. The ratio for Shariah-based banks was cut to 89 percent from 90 percent.

The new rule comes into effect from March this year.

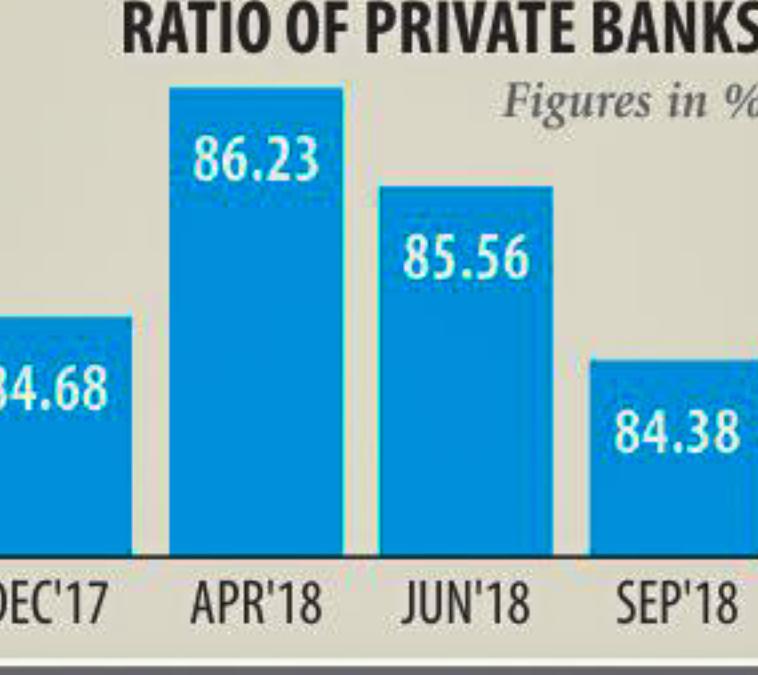
Eleven private banks had their ADR above the authorised limit in September, against 22 lenders in April, central bank data showed.

The number of the non-compliant banks dropped after the central bank cut down the cash reserve requirement (CRR) by 1 percentage point to 5.5 percent – a

move that has freed up about Tk 20,000 crore for banks to lend.

Bankers have recently urged the central bank to give them more time to adjust to the new ADR or withdraw it as the liquidity pressure started to deepen after the election.

AVERAGE ADVANCE-DEPOSIT RATIO OF PRIVATE BANKS



The demand was placed at a consultation meeting of the BB with the stakeholders over the next monetary policy to be unveiled tomorrow for the January-June period.

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Infrastructure loans to be cheaper: AIIB

STAR BUSINESS REPORT

Bangladesh's infrastructure borrowing costs will dip this year as lenders vie for a slice of the vast opportunities that the country's fast-growing economy is presenting, said the Asian Infrastructure Investment Bank (AIIB) yesterday.

The proclamation was made in the lender's first publication styled "Bridging Borders: Infrastructure to Connect Asia and Beyond". The study profiled eight countries in the Asia-Pacific region with great need for infrastructure financing: Bangladesh, India, Pakistan, China, Indonesia, the Philippines, Turkey and Russia.

"In contrast to other countries in the report, a marginal reduction in infra-

structure borrowing costs over the next 12 months is expected in Bangladesh due to a more competitive domestic financing environment," the report said.

Lending spreads are expected to narrow as the financial sector strengthens thanks to more long-term lenders in the market.

"There is growing awareness of Bangladesh's economic potential," said Jang Ping Thia, principal economist of the AIIB.

At present, loans from the World Bank come with 2 percent interest, India 1 percent, China 2 percent, and the Japan International Cooperation Agency less than 1 percent.

Although infrastructure construction activities will scale up in

Bangladesh this year, there are structural challenges in the form of high construction costs, delays and efficiency issues that can put a damper on the intentions.

"High costs pose an ongoing structural challenge to infrastructure development in Bangladesh," the report said.

The World Bank found that per kilometre cost of road construction in Bangladesh is the highest in the world, which has been supported by the study's findings too.

Dhaka's construction costs on a per metre basis are higher than the other seven focus countries and are significantly higher on a purchasing power basis."

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