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Declining deposits worry banks

Low interest, inflation turned away savers

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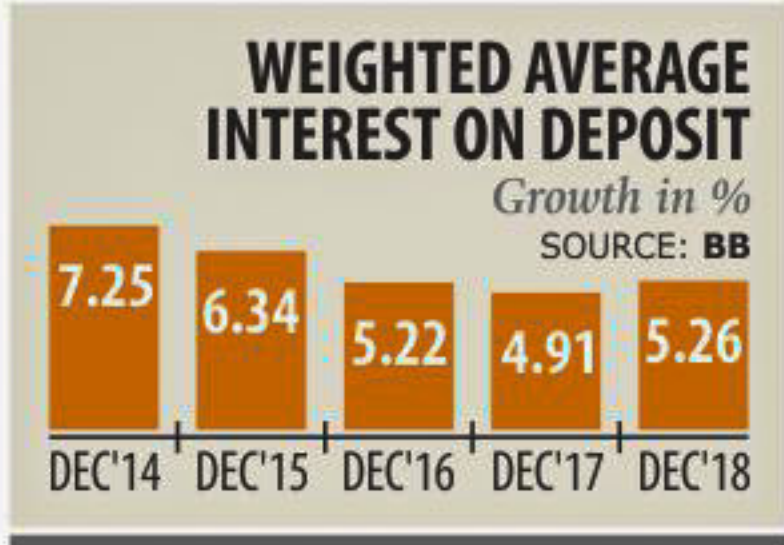
Banks are in desperate want for deposits as savers are showing unwillingness to park their funds in the banking system due to negative returns once inflation and tax are taken into consideration.

Unexpected interference of private banks' directors in setting the interest rate -- 6 percent for deposits and 9 percent for lending -- and a much higher yield on savings certificates were the main reasons for the waning deposits.

The central bank in the monetary policy for the second half of the fiscal year also pointed out the banks' struggle in attracting deposits.

Banks' deposits grew at 9 percent in December last year in contrast to 10.22 percent a year earlier and 13 percent in December 2016.

"The ceiling on interest rate has



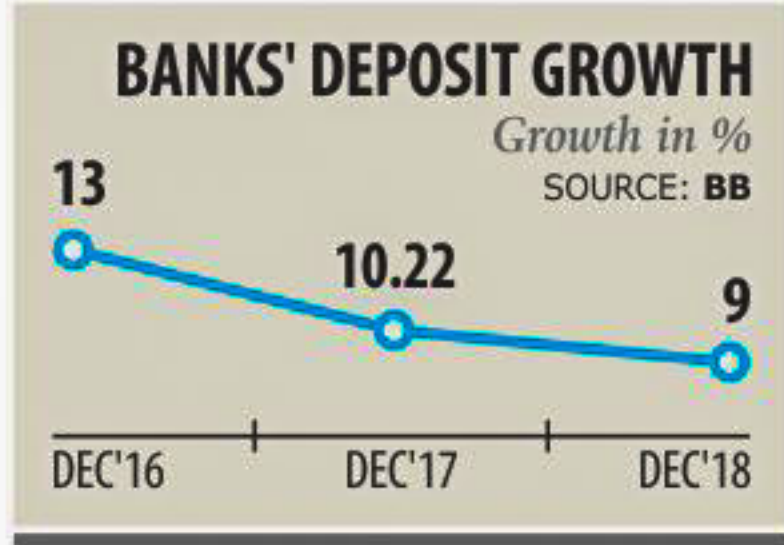
played a vital role in shrinking the deposit base," said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh.

The rate should be determined by the market for the sake of a sustainable economy.

"The real income of depositors has gone negative once inflation is taken into account. This is not expected," said Rahman, also the managing director of Dhaka Bank.

The weighted average interest rate on deposit was 5.26 percent in December last year, down from 5.30 percent a month earlier. On the other hand, inflation stood at 5.35 percent in December.

In other



words, if a depositor keeps Tk 100,000 at a bank for one year, he/she will get a maximum of Tk 5,300 as interest earnings on the deposit.

And after deducting tax at 15 percent, the amount comes down to Tk 4,505, meaning the net interest income stands at only 4.50 percent.

If the depositor is a taxpayer with an electronic tax identification number, he/she will pay 10 percent tax and his/her net interest income will be Tk 4,770, or 4.77 percent a year.

Ahsan H Mansur, executive director of the Policy Research Institute, also attributed the decline in deposits to the lower interest rate.

"There is no problem if the interest rate on deposit remains low, but it should be higher than the inflation rate," Mansur said.

Lending to the private sector would be hurt if the depositors turn their eyes away from banks.

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GP drags down stock markets

STAR BUSINESS REPORT

Grameenphone, the largest listed company on the Dhaka Stock Exchange, fell 2.2 percent yesterday, a day after the Bangladesh Telecommunication Regulatory Commission declared it a Significant Market Power (SMP) operator.

The SMP is a regulation that imposes restrictions on an operator once it corners 40 percent of the subscribers, revenues and spectrum. The declaration might lead to additional charges for Grameenphone alongside regular taxes for customer acquisition, in a development that can shake up the country's mobile telephony landscape.

Grameenphone's dominance will be eroded following the telecom watchdog's declaration, said UCB Capital Management in its daily market commentary. "So, the stocks fell by 2.2 percent following the news," it said.

Some other large-cap companies also fell yesterday, pulling down the index. Among the top-traded stocks, United Power Generation & Distribution Company fell 7.4 percent and Square Pharmaceuticals 1 percent.

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Food safety remains a big concern for Bangladesh's 160 million-strong population. Many foodstuffs, be they manufactured or processed, are adulterated to varying degrees. This problem persists at every level of the food chain, starting from preparation through to consumption. The Daily Star has taken an initiative to inform its readers about this serious public health concern. The newspaper is running a series of interviews on the issue. Here is the first of the three interviews.

Safe food still a far cry

Consumers' association chief says

SOHEL PARVEZ

Progress in ensuring food safety in Bangladesh has remained slow despite huge public outcry and efforts by various agencies, thanks to businesses' profiteering tendency, a lack of enforcement of laws, coordination among government bodies and awareness among consumers.

"Bangladesh has a long way to go to ensuring safe food and fight adulteration," Ghulam Rahman, president of the Consumers Association of Bangladesh (CAB), told The Daily Star earlier this month on the occasion of the National Safe Food Day, which was observed on February 2.

Dishonest businesses continue to adulterate foods to make money. Besides, there is not enough resistance from consumers. In the past there was a lack in commitment on the part of the government. "Laws were there but largely in scattered forms."

But in 2009 the first comprehensive law was framed to protect the rights of consumers. Under the law, the Directorate of National Consumers Rights Protection (DNCRP) was set up.

Then in 2013 the Safe Food Law was framed, under which the Bangladesh Food Safety Authority (BFSA) was formed to



Ghulam Rahman

coordinate amongst the 18 ministries and 486 agencies involved in ensuring food safety.

"The legal structure has been put in place and steps have been taken to build the institutional structure. But, the institutions have not been made capable yet," said Rahman, also a former chairman of the Anti-Corruption Commission.

The framing of law and establishment of organisations reflects the intent of the government.

"But these cannot perform their task effectively because of a lack of seriousness of the government or bureaucratic complexity."

He said some initiatives have been taken but they are not being supported with adequate workforce and resources.

For instance, the DNCRP has set up offices throughout the country and formed consumer rights protection committees up to union level.

"But setting up of committees is not enough and they have to act to protect our rights," said Rahman, while calling for its strengthening.

READ MORE ON B3

VALENTINE'S DAY

Special offers galore for plastic money

JEBUN NESA ALO

Most banks have come up with a bundle of packages to make a good business on the occasion of Valentine's Day when people go for a spending spree to celebrate the most romantic day of the year.

The special packages on the use of plastic money or credit cards include "Buy one get one free" offer, cashback, discounts on fashion and lifestyle brands and foods at restaurants.

Prime Bank, one of the country's largest private banks, along with Mastercard is offering up to 30 percent discounts at 40 restaurants and fashion outlets.

The offer started in January and will end on February 28.

"People love to spend a lot during Valentine's Day and banks will leave no stone unturned to persuade clients to use their cards for shopping," said Md Amir Hossain Majumder, head of the bank's card division.

He said the bank rolled out the offers to retain customers in the competitive market where people use four to five credit cards at a time.

"It is a challenge for banks to encourage customers to keep using their cards. That is why they offer special benefits on different occasions."

The special offers also play a huge role in bringing a change in the spending behaviour of the credit card users, Majumder said.

City Bank, which has the highest num-



ber of cards in circulation, has prepared a lot of offers for the occasion.

The bank's 14-day offer themed "share the love" started on February 1.

Customers will be able to save up to 36 percent if they use City's card for online

shopping from e-commerce platforms, including daraz and chaldal as well as on products and services of jewelry shops, lifestyle brands and restaurants, according to the bank.

The bank has teamed up with

paprii.com, an online flower delivery service. Clients of the bank will get 20 percent discount if they buy fresh flowers from the platform.

Mutual Trust Bank (MTB) appeared on the scene with the slogan "Unlock a World of Love". Its credit card offers started on February 1 and will end on February 16.

MTB's offers include "Buy one get one free" on dining with nine restaurants and up to 35 percent discounts on shopping with 16 lifestyle brands.

The bank announced the special offers to make the Valentine's Day celebration enjoyable for its clients, said Mohammad Anwar Hossain, head of MTB's card division.

"Another objective of the bank is to boost spending on credit cards," he said.

On every occasion, the bank announces varieties of offers on cards to increase affiliation of the customers with the bank, Hossain said.

"BOGO on this Valentine's Day" is the name of Southeast Bank's offer for its credit cardholders, said Md Abdus Sabur Khan, head of cards at the bank.

The bank has tied up with 14 posh hotels and restaurants for BOGO, which stands for Buy One Get One, he said.

In Bangladesh, the number of credit cards increased nearly 17 percent to 10.61 lakh in the 11 months to November last year, according to Bangladesh Bank data.

The monthly transaction through credit cards was above Tk 1,000 crore in November 2018.

GP, Robi to partner with Bank Asia on agent banking

MUHAMMAD ZAHIDUL ISLAM

Top two mobile phone operators Grameenphone and Robi are set to enter into a partnership with Bank Asia on agent banking -- a move that is expected to give huge boost to the new service and deepen financial inclusion.

Both operators, which together control more than 75 percent of the market share of mobile phone subscribers, received permission from Bangladesh Telecommunication Regulatory Commission (BTRC) to this effect in a meeting last week.

The operators are expected to roll out the service next week.

"Mobile phone operators have extraordinary capacity and we can use it to explore untapped markets," Md Arfan Ali, president and managing director of Bank Asia, told The Daily Star yesterday.

BTRC Chairman Md Jahurul Haque said, "We hope this collaboration will help the

financial inclusion and help the country grow more."

According to the plan, retailers and distributors of the operators will work as the representative of Bank Asia to provide banking service.

The operators will ensure security and monitoring in accordance with the laws of the central bank and have to submit a copy of the certification to the BTRC.

The operators will share revenues with the BTRC from its gross earnings from the agent banking service, like they do with the commission for telecommunication service. Mobile phone operators share 5.5 percent of gross earnings with the commission and another 1 percent goes to the social obligation fund.

The BTRC has also asked the operators not to discriminate against customers while providing service and offer additional benefits on telecom services for availing agent banking service with them,

according to the conditions attached by the BTRC. Robi, the second-largest mobile phone operator in Bangladesh, welcomed the move.

"This decision will have huge impact on digital financial inclusion," said Shahed Alam, head of corporate and regulatory affairs of the operator.

"We will be able to reach the remotest places of the country using our vast mobile network."

In October last year, Robi signed agreements with four banks, including Bank Asia, the market leader in agent banking.

Robi will complete its preparation to launch the service next week at its 400 touch points, said a top executive of the mobile operator. GP, the leading operator, declined to comment.

There are 30 lakh accounts under agent banking and deposits stand at Tk 30,000 crore. The service channeled Tk 5,000 crore in remittance into the country last year,

according to Ali.

"These numbers will grow hugely in the coming years."

He said the industry needs to collaborate with each other to boost the economy.

"To accelerate the financial inclusion, we are trying to bring in new products and this partnership is one of them," he said.

"The partnership will bring the unbanked people under the banking network even in the remotest parts of the country and expand the banking network faster than ever." As per plan, the operation will be run by software provided by the banks and the mobile operators will seek permission from the central bank to run it on mobile applications.

The latest financial indicators of the central bank showed that agent banking is on the right track: deposit collection through the service stood at Tk 2,013 crore in the April-June quarter last year, up 23.19 percent from that a quarter ago.

New Chinese firm set to bag Dhaka-Sylhet highway project

JAGARAN CHAKMA

China Communications Construction (CCCC) looks set to bag the Tk 14,000 crore contract to construct the Dhaka-Sylhet four-lane highway after the project's original contractor, China Harbour, was dumped for offering bribes.

The Chinese state-owned construction firm has been lobbying with the government since the job vacancy opened up in January last year and has even promised to finish the project quickly and smoothly in a letter to the government on December 21.

The project -- which is expected to expand the regional transport network, including the Asian Highway Network, BIMSTEC and SAARC corridors -- is supposed to be completed by December 2022, as per the original plan.

The 214 kilometre-long highway, which will be made with entire Chinese funds, will have 321 culverts, 70 bridges, five railway overpasses, four flyovers, 10 underpasses, 42 footbridges, three truck stands and two rest houses.

Under a direct procurement method China Harbour was chose on October 9, 2016 to helm the project. But it was ousted from the project earlier last year for offering bribe a secretary of the road transport and bridges ministry, the implementing entity.

CCCC's proposal is now sitting on the prime minister's table for her approval, said Md. Zahidul Haque, additional secretary of the economic relations division.

"Since only the contractor will change and everything else will remain the same, the government does not need to float the tender again to appoint the new company," he added. The project was bookmarked as a priority one among the 27 agreed upon during Chinese President Xi Jinping's visit to Dhaka in October 2016.

Contacted, Md. Nazrul Islam, secretary of the road transport and highway division, declined to comment on the matter.

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