

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week on week		As on Friday		Friday closings				As on Wednesday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	BUY TK	EUR	GBP	JPY
▲ 0.61%	▲ 0.58%	▼ \$1,508.60	▲ \$58.64	▲ 0.10%	▲ 0.06%	▲ 0.35%	▼ 0.29%	83.50	92.31	99.73	0.77
5,201.42	9,660.90	(per ounce)	(per barrel)	37,350.33	20,418.81	3,115.03	2,823.82	84.50	96.01	103.53	0.81



এসআইবিএল
সুপার ডিপিএস
বিশেষ সঞ্চয় কিম

প্রাক্কলিত মুদাফা:

৩ বছর	৫ বছর	১০ বছর
৯.২৫%	৯.৫০%	১০%

ইসলামী শরীআ'র এক মূল্যবান নীতির ভিত্তিতে পরিচালিত।

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DHAKA SUNDAY AUGUST 18, 2019, BHADRA 3, 1426 BS starbusiness@thedailystar.net

BB plans uniform method to calculate cost of funds

AKM ZAMIR UDDIN

The central bank is set to come up with a new formula for calculating the cost of funds for banks with a view to bringing down the interest rate on lending, much to the trepidation of bankers.

The cost of funds is the interest rate paid by lenders for the funds they use in their business.

The move comes as banks now calculate their cost of fund following different methods, raising questions of transparency.

In a bid to bring uniformity the Bangladesh Bank has now decided to come up with a blanket formula that all banks must use to calculate their cost of funds.

Bankers said that the forthcoming method will help the central bank to keep the interest rate on lending at 9 percent -- a move that will have a negative impact on lenders.

"The new formula will show a lower cost of fund," said the managing director of a bank wishing not to be named.

He fears that the central bank may stipulate a lower spread between the

cost of funds and the interest rate charged to borrowers in order to bring down the interest rate on lending to single digits.

To make profit, banks keep the spread at at least 5 percent, he said.

The spread between the cost of funds and the interest rate charged to borrowers represents one of the main sources of profit for many financial institutions.

The cost of funds is one of the most important input costs for a lender since a lower cost will end up generating better returns when the funds are used for short-term and long-term loans to borrowers.

"Lenders will be forced to decrease their interest rate on lending when the new central bank guidelines will be implemented," said a central bank official.

According to the draft guidelines, banks have to include their interest expense on deposits, borrowings, subordinate bonds and administrative and other expenses to calculate their total cost.

A portion of provisioning against default loans will not be calculated to determine the default loans.

Lenders will also be allowed to include a maximum of 70 percent of their administrative expenses -- such as salary payment to their employees -- when they will calculate their total cost.

AT A GLANCE

The new method will show low cost of fund
Lower cost of fund will bring down the lending rate
Banks to deduct a portion of provisioning for default loans, CSR and incentive bonus from total cost
A maximum of 70pc of banks' administrative cost will be calculated to set the cost of fund
The central bank tries to lower the lending rate to a single digit by implementing the formula, say bankers
The method may have a negative impact on banks if lending rate is set artificially

Besides, expenditures related to the corporate social responsibility and performance and incentive bonus payment for their employees will not be included with the total cost.

Banks are now calculating 100 percent administrative cost, provisioning for default loans, CSR expenditure and performance and incentive bonus to determine their total cost.

For this reason, the total cost of banks will decrease when the new method will be effective.

"This will have a positive impact on the interest rate on lending," the BB official said.

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eCourier gets foreign funding

STAR BUSINESS REPORT

Online product delivery company eCourier has received a new round of funding from a Hong Kong and China based private equity group after being valued by the group at Tk 300 crore.

The new funding will be used towards ambitious growth strides, said Biplob G Rahul, CEO of the Bangladeshi company.

However, the company did not share the value of the investment, for which a deal was signed at a programme in Dhaka yesterday.

The company had raised its seed funding earlier from Mind Initiatives in 2015, eCourier said in a statement yesterday.

"We will be scaling up our distribution outside Dhaka and warehousing through investment in infrastructure and technology, in addition to improving the reach, reliability and efficiency of our operations," said Rahul.

"We want to ensure that we share these benefits with our customers and partners and deliver the best with big smiles," he said.

eCourier, one of the top delivery companies in the country which started out as a logistics service provider in 2015, now provides a range of products and services for businesses going online.

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Sojitz, Energypac want PPP to build seaport, industrial park

JAGARAN CHAKMA

Japanese Sojitz Corporation and local Energypac want the Bangladesh government to get involved in their \$2-billion plan to build a seaport and energy industrial park in Chattogram under a public-private partnership (PPP).

The PPP is aimed at faster implementation of the project at Mirsarai Economic Zone and raising funds as well, said Nurul Aktar, a director of Energypac Power Generation.

Sojitz and Energypac have shared their plan with the Prime Minister's Office and the Chittagong Port Authority in order to involve the government with the project.

"PPP model is the best way to implement this type of large-scale project and it is easy to mobilise government-to-government funds and borrowing from international financiers," Aktar said.

As per the initial feasibility study, the two firms will need to invest \$1.2 billion within 2024 to complete the first phase of the seaport and the investment will reach \$2 billion to build the full-fledged seaport.

"The port will be economically viable and support the zone," Aktar told The Daily Star recently.

He said the Chattogram port would not be able to handle the export and import activities when the economic zone will go into operation in full swing in 2030.

So, a modern and efficient seaport is highly required at the zone to handle zone-centric export and import activities, he said.

The port would be able to anchor 30,000 to 40,000-tonne cargo vessel, much higher from the present capacity of only 10,000-tonne at Chattogram port, Aktar said.

There is no scope to build more jetties and yards at the Chattogram port, Aktar said.

Sojitz and Energypac have already signed a memorandum of understanding with Bangladesh Economic Zones Authority (Beza) so that the two companies can get the land.

A land lease agreement may be signed by December this year.



Once the deal is inked, Sojitz and Energypac will carry out the final feasibility study and place financing proposal with the World Bank and the Japan International Cooperation Agency for funds.

Japanese trading giant Sumitomo Corporation's plan to invest at Japanese Economic Zone in Araihaajar has encouraged Sojitz Corporation to enter into the Bangladesh market, said Paban Chowdhury, executive chairman of Beza.

He said development of energy, infrastructure and industrial park and port facilities was the key targets of the company in Bangladesh at the moment.

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27pc youths yet to benefit from training

AHSAN HABIB

Every one in four young people in Bangladesh is yet to receive any skills development training although the government has set up training centres for them in every district and at upazila level.

Skills development trainings in different subjects are being provided to youths through 111 formal training centres across the country and 498 training centres at the upazila level, according to the finance minister's budget speech in June.

Some 73.90 lakh or 26.8 percent of the country's 2.75 crore young people aged 15 to 24 are still not trained or educated, according to the latest census of the Bangladesh Bureau of Statistics.

Biru Paksha Paul, a former chief economist of the Bangladesh Bank, said the unemployment rate among the educated youth is higher than those uneducated -- a situation that discourages investment in education and training.

"The GDP growth isn't translating into job creation so people don't get expected jobs," he said.

However, if knowledge is not



STAR/FILE

If young people can participate in training programmes, they may get jobs and earn more.

respected, the country's position in the Knowledge Economy Index of the World Bank will remain in the lowest rung as before, said Paul, currently a professor of economics at the State University of New York at Cortland.

The latest Index shows that Taiwan, Hong Kong, Japan, Singapore, and South Korea top the list in Asia and the Pacific with

scores of 8 or above out of 10.

Sri Lanka's score is 3.63, India's 3.06, Pakistan's 2.44, and Bangladesh's 1.49. Any score below 3 is regarded as 'poor'. The average score in the region was 4.39.

Paul, who has a number of research papers on youth economy, said the knowledge industry is the future for a

densely populated country like Bangladesh and it will absorb the highest number of youths. This will also allow the country to reap the demographic dividend.

Demographic dividend refers to the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population is larger than those

who are not working.

At present, more than 65 percent of the population in Bangladesh belong to the working age group aged between 15 and 64.

However, the uneducated and untrained youths are a cause for concern as they will dent the development potential of the country, experts warned.

"So, the government should work on this segment of the youth," Paul said.

Rashid Mia, a young person from Kurigram who has received no training in his life, said his father died when he was 11, so he had to go to work with his mother to make a living.

As a result, he dropped out from school when he was in grade IV and started working at a brick field. Later, he became a rickshaw-puller in Rowmari upazila. He earns Tk 4,000 to Tk 5,000 per month at present.

The story of 10 such youths who talked to The Daily Star is almost the same.

They went to work with their parents after being dropped out of schools either because of poverty or their parents' belief that education is not the key to get a good job.

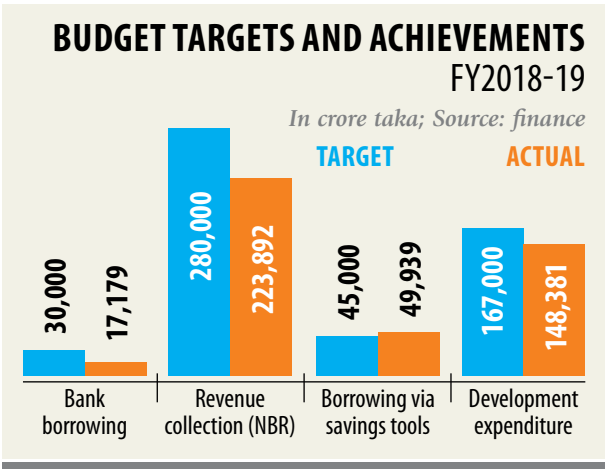
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Govt's borrowing from banks almost half of its plan

It borrows more through savings certificates

REJAUL KARIM BYRON

The government's bank borrowing last fiscal year was almost half of what it had planned to, thanks to its lower development expenditure and higher sales of national savings certificates, much to the relief of the cash-strapped banking sector.



In fiscal 2018-19, Tk 17,179 crore was borrowed from the banking sector although the target set at the beginning of the year was Tk 30,895 crore, according to data from the Bangladesh Bank.

The difference was made up by extensive sales of savings certificates: Tk 49,939 crore against the target of Tk 26,197 crore. Furthermore, the need to borrow from banks was not pressing as implementation of the development budget lagged.

The ministries and divisions could not spend Tk 18,619 crore of the development budget of Tk 167,000 crore, according to the data from the planning ministry.

Similarly, the full allocation for non-development purposes and subsidies was not used up, said a finance ministry official.

The lower expenditure on all fronts also cushioned the blow of the National Board of Revenue missing its collection target of Tk 280,000 crore by a staggering Tk 56,108 crore.

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WiFi Haat enlivens rural areas

Innovative business model can narrow the digital divide in rural Bangladesh

MUHAMMAD ZAHIDUL ISLAM

Carnival Internet, a local internet service provider, has brought internet access to remote parts of the country, where people are hungry for internet but have next to no access, by way of WiFi Haat -- an inspired move that will help thousands of locals.

Most of the places where the Haats are located hardly had any internet coverage. People could access internet from their mobile phones but the network is very patchy, so the speed is very slow.

Carnival has partnered with traditional shopkeepers and tea stall owners for the WiFi Haat, where they have installed their systems.

"We are aspiring to completely redefine the internet experience across rural Bangladesh with 50,000 Carnival WiFi Haats covering 10,000 villages of Bangladesh," said Zaman Khan, chief executive officer of Carnival Internet.

Since March, rural users could access high-speed internet by purchasing scratch cards for certain durations that contain unique passwords from the shopkeepers



COLLECTED

Carnival Internet has partnered with traditional shopkeepers and tea stall owners for the WiFi Haat, where they have installed their systems.

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