

Banks' capital base strengthens

Govt raises hopes for aspiring entrepreneurs

AKM ZAMIR UDDIN

The banking sector's capital base strengthened on paper in the second quarter of the year after some banks were allowed to keep their provisioning against default loans in phases.

Besides, some lenders also recovered a good amount of fund from defaulted loans, which has made their capital base stronger than a quarter earlier.

As of June this year, banks' capital adequacy ratio (CAR), which determines the adequacy of banks' capital in keeping with their risk exposure, stood at 11.74 percent, up from 10.11 percent three months earlier and 10.11 percent a year earlier, according to data from the central bank.

But the country's banking sector

BANKS' CAPITAL ADEQUACY RATIO

In percent

10.11

10

10.89

10.5

11.41

11.74

Mar'18

Jun'18

Sep'18

Dec'18

Mar'19

Jun'19

SOURCE: BB

has failed to maintain CAR as per the roadmap set by the central bank for implementation of Basel III this year, said a central bank official with strong knowledge on the matter.

From the first quarter of the year, banks were asked to maintain CAR at 12.50 percent in line with the global best practices.

But the banking sector has failed to achieve the global benchmark for CAR thanks to 11

banks, including seven state-owned lenders.

The banks are: Sonali, Janata, Agrani, Rupali, Basic, Bangladesh Krishi, Rajshahi Krishi Unnayan, AB, Bangladesh Commerce, ICB Islamic and National Bank of Pakistan.

They collectively faced a capital shortfall of Tk 16,001.49 crore.

"These banks will face trouble in conducting business with foreign banks in the days ahead unless they increase their CAR," the BB official said.

CAR has to be maintained to safeguard the interests of depositors and promote financial stability.

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Rejaul Karim Byron

The government yesterday raised the hopes of aspiring entrepreneurs as it announced a Credit Guarantee Fund (CGF) to act as guarantors for them when they apply for loans to banks or financial institutions to kick-start their venture.

The development comes after the cabinet approved the four-year-long SME Policy 2019.

The CGF will be created for arranging collateral-free loan for small and medium entrepreneurs, especially start-ups.

Entrepreneurs will not need to submit any document as mortgage to banks or financial institutes as the government will be the guarantor under the CGF, said Cabinet Secretary Mohammad Shafiqul Alam.

He spoke while briefing journalists about the outcome of the weekly cabinet meeting, chaired by Prime Minister Sheikh Hasina.

In the absence of such a policy in Bangladesh, the government formed the SME policy under the guideline of the industries ministry, Alam added.

The CGF has not been formed yet

AT A GLANCE

Govt to form a credit guarantee fund for SMEs

A start-up cell will be constituted for new entrepreneurs

Female entrepreneurs will get special benefits

All SMEs to enjoy six facilities such as credit and tech support

Number of SMEs in the country is 78 lakh

SMEs contribute 25% to GDP

ministry will start work to form the CGF soon.

Firstly, some companies will be formed under the CGF that will act as loan guarantors on behalf of the SME entrepreneurs.

In exchange for acting as guarantors, the companies will receive commission.

"Such companies can be found in India, Thailand and many other countries."

A start-up cell will also be formed under the SME policy, he said.

Start-ups will have to apply to the cell first and officials will scrutinise the applications.

The start-up cell will help fresh entrepreneurs to get loans, licences and other necessary documents and find market-related information.

Currently, the number of SME units across the country is 78 lakh and together they contribute to 25 percent of the country's gross domestic product, according to Alam.

The government will also provide six different kinds of services to the SME units like financing, new technologies, facilitating market access, training and business support.

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Decathlon enters Bangladesh

French sports retailer opens outlet in Uttara

REFAYET ULLAH MIRDHA

French sporting goods retailer Decathlon has recently opened its first store in Dhaka's Uttara targeting Bangladesh's growing market of health consciousness and fitness business.

Items for football, cricket, basketball, swimming, cycling, trekking, hiking and walking alongside sports textiles, backpacks, tents and other accessories and fitness products are available in the new store.

The company will source products for the Dhaka store mainly from its warehouse in India and it will provide after sales service and accept returns.

It also says prices of products are "very affordable" in the store, such as a football ranging between Tk 449 to Tk 1,599.

The French family-owned company opened the store on July 12, Deepak Dsouza, country manager of Decathlon in Bangladesh, said last week.

With an annual revenue of over €12 billion, Decathlon has 1,500 stores in 54 countries, including almost all major economies. In South Asia, it has 70 stores in India and one big store in Sri Lanka.

Surprisingly, Bangladesh has long been one of the over 28 countries, including India and Sri Lanka, which the company has in its list of sourcing destinations, currently ranking as the third biggest after China and then Vietnam.

The company first made an appearance here 20 years ago and 10 years later

established its own office in Dhaka and Chattogram, employing some 200 staff in total.

Annually, the company sources 100 million pieces of items like tents, shoes and metal frames of bicycles from 50 suppliers in Bangladesh, creating employment for some 50,000 people.

"We have some four (dedicated) industrial partners," said Dsouza.

Explaining why it went for opening a store in Bangladesh, he said, "Decathlon is trying to make sports accessible for

DECATHLON

everybody in Bangladesh. So we are initially concentrating only on sports equipment."

Cricket is the first choice of people in Bangladesh and football second, he said.

Despite this, interest on other sports is growing, especially in Dhaka, such as cycling and running, which have a very big sports community, said Dsouza.

"Obviously, Bangladesh is now a very potential country with more than 160 million people."

There is also a growing group of middle-income people and many of them are becoming health conscious and taking part in sports to remain fit, he said.

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BB mulls int'l factoring

Exporters, importers can use it as an alternative to letters of credit, officials say at a workshop

STAR BUSINESS REPORT

The central bank will introduce international factoring soon to help both exporters and importers run their global trade smoothly, said its Deputy Governor Ahmed Jamal yesterday.

In factoring, banks play a limited role and exporters and importers settle their business with mutual understanding.

International factoring will give a boost to the country's export and it will also allow importers to settle imports at a lower cost, he said at a workshop on factoring at the Pan Pacific Sonargaon hotel in the capital.

Bangladesh Institute of Bank Management (BIBM) and Factor Chain International (FCI) jointly organised the workshop to educate lenders on how to settle international factoring appropriately.

Some 400 lenders in 90 countries are now using factoring as an alternative to letters of credit.

Factoring takes less time and cost than the existing LC process while settling payments for exports and imports.

In Bangladesh, domestic

Bangladesh Bank Deputy Governor Ahmed Jamal speaks at a workshop on factoring, at Pan Pacific Sonargaon Dhaka yesterday.

factoring has been in existence for the last two decades.

A guideline titled 'Operational Guideline on Domestic Factoring' prepared by the Bangladesh Bank in 2005 was provided to lenders in order to introduce the financial service locally.

"There is scope for the introduction of international factoring in the country," Jamal said.

To this end, the central bank has

formed two committees: one is core committee and the other technical committee. Both committees are currently working on it, he said.

The technical committee of the BB has already submitted a policy guideline to the authorities, he said.

"We have a plan to issue a circular on international factoring very shortly," Jamal said.

FCI has observed that there is a continuing and growing interest in factoring in Bangladesh, said its

Secretary General Peter Molroy.

"We have been speaking with many of the lenders here over the past few years and we see huge potential for factoring in the market."

However, there are many obstacles as well, Molroy said.

Factoring plays a very significant role in financing economic activities, said Syed Mahbubur Rahman, chairman of the Association of Banks, Bangladesh, a platform of the managing directors of private banks.

Traditionally, it is the SMEs that use factoring, but now many others are following suit.

"International factoring is an important service for companies engaged in the import and export of goods and services," said Rahman, also the managing director of Dhaka Bank.

North American and European countries now have a fully mature factoring industry.

Factoring has been spreading over time in South America as financial institutions continue to join the industry.

International factoring is present in 10 of the 18 South and Southeast Asian countries.

Restrict beef imports

Meat and milk producers demand

STAR BUSINESS REPORT

Meat and milk producers and stakeholders yesterday demanded restricting beef imports citing that it would hurt domestic producers.

The appeal came more than a week after Commerce Minister Tipu Munshi said the government was planning to sign a free trade agreement with four Latin American countries, including Brazil and Argentina, to increase exports to those regions.

Both Brazil and Argentina want to export beef to Bangladesh as they claim that theirs are better than that of other countries, the minister said at a press conference in his secretariat office in Dhaka on August 28 upon returning from a visit to those countries.

"People in rural areas, farmers and other stakeholders will suffer the most if beef is imported," said the Animal Health Companies Association of Bangladesh (AHCAB) in a press release.

The AHCAB along with nine other associations, including Bangladesh Dairy Farmers Association (BDFA) and Bangladesh Veterinary Association (BVA), organised a press conference at National Press Club yesterday to share their concerns regarding beef import.

The industry stakeholders cited estimates of the Department of Livestock Services (DLS) that Bangladesh's annual demand for meat is 72.93 lakh tonnes, considering one person's daily requirement being 120 grammes.

The country produced 75.14 lakh tonnes of meat in fiscal 2018-19, posting 4.27 percent year-on-year growth, according to the DLS data.

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Stocks bear brunt of export plunge

STAR BUSINESS REPORT

Dhaka stocks plunged yesterday right after a two-day rise, with textiles being the lead contributor against the backdrop of a tumble of the country's export earnings.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), declined 24.83 points, or 0.49 percent, finishing the day at 5,008.96.

It went under the 5,000 mark last week with a continuous fall of around 250 points within three weeks.

Market analysts said the textile sector's export earnings went down last month and it led the market fall.

Investors of export oriented companies sold off stocks fearing lower earnings per share in the upcoming quarter.

According to the Export Promotion Bureau, exports raked \$2.84 billion in August, down from \$3.89 billion in July.

Garment, which accounts for more than 80 percent of export earnings, brought home \$2.41 billion, down 11.72 percent year-on-year.

With the fall of the sector's exports, four textile companies, namely Zahintex Industries, ML Dyeing, Queen South Textile Mills and Far East Knitting & Dyeing Industries,

DSEX MOVEMENT

In points

5,223

5,165

5,178

5,139

5,095

5,070

5,033

5,007

4,986

5,013

5,033

5,008

Aug 25

Aug 26

Aug 27

Aug 28

Aug 29

Sep 1

Sep 2

Sep 3

Sep 4

Sep 5

Sep 8

Sep 9

SOURCE: DSE

made their way to the list of 10 stocks suffering the biggest losses.

Among the major sectors, textile dropped 1.2 percent and made the highest negative contribution to the fall of the index.

An official of a stock broker said investors of the export-oriented stocks become apprehensive, so such stocks were in the red throughout the day.

However, investors bought Grameenphone stocks as they found the scrip cheap following severe

Germany to set up BMW assembly plant: Kamal

STAR BUSINESS REPORT

A visiting high-level business delegation of Germany has proposed setting up a plant in Bangladesh to assemble BMW and Mercedes-Benz cars.

Some parts will be manufactured in the plant and some will be brought from abroad for the vehicles to be assembled, the delegation proposed to Finance Minister AHM Mustafa Kamal yesterday.

Arriving on a five-day visit to assess business potential, the delegation was paying a courtesy call on the minister at his office in Sher-e-Bangla Nagar in the afternoon.

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MTB

এ/জে/কি নিয়োগ

এমটিবি এজেন্ট ব্যাংকিং সেন্টার স্থাপনের মাধ্যমে ব্যাংকিং সেবা প্রদান করার লক্ষ্যে সারা বাংলাদেশে যোগ্যতা সাপেক্ষে এজেন্ট নিয়োগ করা হচ্ছে।

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