



State-run Gas Transmission Company Limited has almost completed the setting up of a city gate station in Saidpur of Nilphamari as part of the 150-kilometre Bogura-Rangpur-Saidpur transmission line project. Some 90 per cent of the Tk 1,359-crore project has already been implemented. Once distribution lines are set up, the transmission network would help supply gas to industries and power plants.

PHOTO: EAM ASADUZZAMAN

Small US banks see record drop in deposits after SVB collapse

REUTERS

Deposits at small US banks dropped by a record amount following the collapse of Silicon Valley Bank on March 10, data released on Friday by the Federal Reserve showed.

Deposits at small banks fell \$119 billion to \$5.46 trillion in the week ended March 15. That was more than twice the previous record drop and the biggest decline as a percent of overall deposits since the week ended March 16, 2007.

Borrowings at small banks, defined as all but the biggest 25 commercial US banks, increased by \$253 billion to a record \$669.6 billion, the Fed's weekly data showed.

"As a result, small banks had \$97 billion more in cash on hand at the end of the week, suggesting that some of the borrowing was to build war chests as a precautionary measure in case depositors asked to redeem their money," Capital Economics' analyst Paul Ashworth wrote.

SVB collapsed after it was unable to meet a swift and massive run by depositors who took out tens of billions of dollars in a matter of hours.

Deposits at large US banks rose \$67 billion in the week to \$10.74 trillion, the Fed data showed.

Overall US bank deposits have been in decline after sharply rising in the wake of pandemic aid in 2020 and early 2021.

The reversal in the trend for large banks was notable. The rise equates to about half as much as the deposit decline at small banks, suggesting that some of the cash may have gone into money market funds or other instruments.

Large banks also increased borrowings in the week, by \$251 billion.

It was unclear if the shift in deposits out of small banks will persist.

"Deposit flows in the banking system have stabilized over the last week," Fed Chair Jerome Powell said on Wednesday.

New transmission line may not bring gas to users soon

A lack of distribution network to blame

EAM ASADUZZAMAN, Nilphamari

Establishing a gas transmission line in the country's northern districts has almost been completed, but people and industries in the region will not benefit from the progress immediately because of a lack of a distribution network.

According to officials of Gas Transmission Company Limited (GTCL), 90 per cent of work of the 150-kilometre Bogura-Rangpur-Saidpur transmission line project has been completed at a cost of Tk 1,359 crore.

The project, whose implementation kicked off in 2018, was revised twice and the new deadline is June 2023.

But entrepreneurs in the greater Rangpur division have expressed disappointment since they are unlikely to get gas due to an absence of distribution lines even if the project completes in line with the new deadline.

"It's upsetting that the construction of the gas distribution line network has not started though it was scheduled to finish by 2023. The delay may hamper the prime minister's plan to bring about equal development across the country," said Mostofa Sohrab Chowdhury Titu, president of the Rangpur Chamber of Commerce and Industries.

Paschimanchal Gas Company Limited (PGCL) is yet to start the construction of distribution pipelines needed to supply gas to consumers under a Tk 258 crore project, which was approved in the middle of 2021.

Both GTCL and PGCL are subsidiaries

of Petrobangla: the former lays the main gas transmission pipeline while the later installs the distribution network and brings gas to the doorsteps of users.

Some industrialists have begun working to set up factories in 11 northern districts as the hope of accessing gas received a boost after the beginning of the transmission network. Sanita Ceramics is one of them.

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Mozahedul Islam Farooque, owner of the company, said, "We are running a ceramic factory by using costly electricity. We had expected to get the gas connection soon after the transmission line project was initiated."

"And we had thought that the production cost would be reduced after getting gas. Now, our survival is under threat."

Fazlul Karim, the project director of the gas distribution project in Rangpur, Nilphamari, Pirganj and adjoining areas, said they are yet to get any contractor.

"A few months earlier, we floated a tender to select a construction firm. But we have failed to get one owing to the global uncertainty. We are now

preparing to issue the second tender."

He said a 44km distribution line is scheduled to be built in the Rangpur city and adjoining areas, while a 10km distribution network in Pirganj and a 46km line in Nilphamari and in the Uttara Export Processing Zone are supposed to be constructed.

Currently, PGCL can supply 176 million cubic feet of gas a day in Bogura, Pabna, Sirajganj and Rajshahi against the daily demand of 273mmcfid due to poor flow of gas, sources at the state-run company said.

Shafiqul Alam Dablu Shah, president of the Nilphamari Chamber of Commerce and Industries, said, "The gas supply situation in the region may not be smooth even after the supply lines are built. The flow of gas might be a factor here."

Nazmul Islam, a deputy general manager of GTCL, says the state-run company now channels 2,900 mmcfid of gas every day against the demand of 3,600 mmcfid to 3,800 mmcfid.

The Bogura-Rangpur-Saidpur gas transmission pipeline is the prime minister's priority project and it will go into operation soon, according to Md Hafizur Rahman Chowdhury, a joint secretary of the power, energy and mineral resources ministry.

Once distribution lines are set up, the pipeline would help supply gas to 102 heavy industries in Rangpur, 24 in the Uttara EPZ in Nilphamari, and two under-construction power plants in Rangpur and Nilphamari.

How independent are independent directors?

MAMUN RASHID

All major strategic and operational decisions of highly successful financial institutions across the world are executed by their management upon proper vetting, review, and due diligence by the board of directors. An intensive review revealed the board of such thriving banks comprises mostly independent non-executive directors, whose primary objectives align with the best interests of the bank, its health, and achievements as opposed to self-interest or ulterior motivations.

It is a matter of fact that most Bangladeshi private commercial banks (PCBs) are not independently or autonomously run. Only a few of the PCBs are somewhat autonomously run by their management with guidance and support from their board, and it is no surprise that those few banks are stronger and more reputed.

The reality is that most PCBs are "board-run" entities on a day-to-day basis as opposed to being institutions with a balanced combination of both "management plus board". The required balance between management and the board in terms of their functions is not there because for the most part, the board is the significantly more dominant party.

This may have been somewhat acceptable if a majority or at least some of the board members were truly independent but that is not the case. The board is mostly composed of people who usually hold a direct ownership interest in the bank or related parties, as well as those who are close friends and relatives of the owners and other influential board members. This contaminated structure inevitably leads to the board members' self-interest becoming a governing criterion in terms of formulating the institution's overall strategy and direction.

When a PCB is subject to regular undue influence and interference from its board and the board itself is not composed of truly independent directors, the bank is not likely to succeed since its primary governance framework is flawed and conflicted.

Since it is unlikely that the dominant influence of the board over the operations and strategies of most PCBs will go away anytime soon, it is necessary to evaluate how the board of these PCBs can be improved and strengthened to pave the way for better overall governance.

Including non-executive and non-owner/non-related party independent directors on the board has been one of the most important and fruitful developments in the history of banking governance. Such directors do not have any kind of significant or related relationship with the institution, therefore their primary motive and incentive are to act in the best interest of the institution.

In addition to having valuable external contacts and connections, independent directors bring the strength of diversity into the mix due to their knowledge and expertise in other industries, markets and extended networks. Since such directors are not affiliated with the institution, there is nothing stopping them from asking bold questions and challenging the management without any fear or inherent biases.

The greatest value that independent directors bring is their pure and unadulterated objectivity, the sole purpose of which is the benefit and betterment of the bank whereby self-interest is not a factor.

Apart from PCBs or even state-owned banks, all of our large private business houses also should restructure their boards and bring in more independent directors along with the next generation.

At the same time, regulatory agencies should immediately investigate the remuneration matrix of these independent directors in Bangladesh and align them with similar markets or countries. This is the only way to attract more subject matter experts and professionals to the boards and make them future-ready. There is a saying: "If you pay peanuts, you get monkeys only."

The author is an economic analyst

Eurozone economic growth hits 10-month high

AFP, Brussels

Economic growth in the eurozone accelerated in March and hit a 10-month high, according to a closely watched survey published on Friday, despite turmoil in the markets and concerns over banks.

The S&P Global Flash Eurozone purchasing managers' index (PMI) showed the indicator at 54.1, up from 52.0 in February, thanks to the services sector. A reading over 50 represents growth in economic activity.

Recession fears are receding in Europe after worries of a difficult winter due to sky-high energy prices following Russia's invasion of Ukraine last year.

Inflation remains much higher than policymakers' target but eurozone consumer prices have also fallen in recent months after a record high of 10.6 percent last October.

There has been turbulence in global stock markets in recent weeks, however, over fears of a crisis in the banking system, but businesses remained optimistic.

"The survey is consistent with GDP growth of 0.3 percent in the first quarter, accelerating to an equivalent rate of 0.5 percent in March alone," said Chris Williamson, S&P's chief business economist.

"Business confidence is also so far showing encouraging resilience in the face of further interest rate hikes and the uncertainty caused by recent banking sector stress," he added.

Hopes will also be raised by better figures coming out of Europe's biggest economies.

Germany, the single currency area's largest economy, saw the composite PMI rising from 50.7 in February to 52.6 the following month, S&P Global said.



Shoppers push trolleys along an aisle inside an ALDI supermarket near Altrincham, Britain. Market research firm GfK's consumer confidence index rose to -36 in March, in line with the consensus in a Reuters poll of economists.

PHOTO: REUTERS

UK consumer mood hits one-year high

REUTERS

British consumer confidence rose this month to its highest level in a year, helped by improving sentiment around the economy and despite persistent gloom over personal finances, a survey showed on Friday.

Market research firm GfK's consumer confidence index rose to -36 in March, in line with the consensus in a Reuters poll of economists and up from -38 in February and its highest since March 2022.

While still at levels historically associated with recessions, the improvement chimed with other gauges of Britain's economy that suggest it could sidestep a long-lasting downturn that had been widely predicted last year.

Still, the GfK survey showed no improvement in its gauges of personal finances, which are linked most strongly to household expenditure.