

WITHHOLDING INFO Clarification sought from Homeland Life Ins

STAR BUSINESS REPORT

The Insurance Development and Regulatory Authority (Idra) has asked Homeland Life Insurance Company Ltd why its chief executive officer (CEO) should not be removed for not providing information sought by a chartered accountancy firm for financial audits.

The firm was appointed by the Idra in September last year to audit the insurer's financials for the 2018-2020 period, including outstanding insurance claims, management expenses and commission payments.

In a letter to the Idra in January this year, the firm said the insurer was not providing necessary information despite repeated requests.

The Idra issued a show cause notice to the company's CEO in May. A tripartite hearing was held at the Idra on August 10.

The matter over the CEO removal was raised in a

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MJL plans Tk 95cr business expansion

STAR BUSINESS REPORT

Lubricating oil provider MJL Bangladesh PLC, a listed company, has announced plans to invest Tk 95 crore for business expansion.

In a Dhaka Stock Exchange (DSE) website disclosure yesterday, the company said its board of directors had approved a memorandum of understanding with a seller to purchase 50 bighas of industrial land in Narayanganj.

The company will spend Tk 95 crore to buy the land for future expansion, subject to all documents related to the property being found transparent and legitimate, it added.

MJL Bangladesh PLC is a joint venture of EC Securities Limited, a subsidiary of East Coast Group, and state-owned Jamuna Oil Company.

Net sales of the company gained 20 percent to Tk 826 crore, according to the latest financial reports of three quarters of 2022-23. Profits soared 29 percent year-on-year to Tk 191 crore.

Its stocks dropped 0.44 percent to Tk 91.50 at the DSE yesterday.



A worker arranges corrugated iron (CI) sheets for display at a shop on Borobazar Station Road of Khulna city. The availability of more durable CI sheets in different colours is driving up demand for the product, which is mostly used as roofing or cladding for houses and industrial structures.

PHOTO: HABIBUR RAHMAN

Demand for CI sheet rising in Dhaka and other cities

Thanks to availability of different colours, more durable products

JAGARAN CHAKMA

The market for corrugated iron (CI) sheets is expanding in Bangladesh thanks to the availability of more durable and coloured versions of the product, according to industry insiders.

For example, the availability of coloured CI sheets that are galvanised with a protective coating is driving up demand for its use as roofing and cladding the sides of households, factories and other structures.

As such, the country's annual demand for CI sheets now exceeds 1.2 million tonnes, creating a market worth around Tk 15,000 crore.

However, just five companies currently manufacture CI sheets, and all of them are based in Chattogram.

The manufacturers are: PHP Family, KDS Group, S Alam Group, Abul Khair Group and TK Group.

Industry people say that Abul Khair and PHP together hold a majority 75 percent share of the market while KDS has a roughly 15 percent stake, and TK Group and S Alam have 5 percent each.

"The once only produced simple corrugated iron but now, people are getting multi-dimensional products," said Mohammad Amir Hossain, director of PHP Family.

"We now manufacture CI



sheets with galvalume, a coating consisting of zinc, aluminium and silicon, which protects the metal from oxidation at a reasonable cost," he added.

Hossain also said they make coloured CI sheets for use as housing and factory roofing profiles.

At present, PHP produces some 4.5 lakh tonnes of CI sheets each year, catering to about 45 percent of the total market.

Asked why there are so few CI sheet manufacturers in the country, Hossain said it is a very costly venture that requires at least Tk 12,000 crore to set up.

Tariq Ahmed, director of operations and marketing at TK Group, said the use of CI sheets

is increasing in line with the peoples' growing purchasing power.

"CI sheets were once only used as roofing in rural areas but now, the demand is reaching cities too for various reasons," he added, citing how huge demand is being created for industrial construction.

As a result, investment in the sector as well as the diversified products available are increasing.

However, Ahmed said the market is enduring a dull point amid the ongoing economic situation.

Anwar Hossain, promoter of M/s Lal Mohammad & Sons on Bangshal road in Dhaka, said imported CI sheets are available

in the market as some people want higher-quality products.

Imported CI sheets mainly come from Japan, Vietnam, Taiwan, China and South Korea but shipments are gradually reducing as local producers are developing their product basket with cheaper alternatives.

HOW CHATTOGRAM BECAME A HUB FOR CI SHEET INDUSTRY

The steel industry in Bangladesh began when the state-owned Chittagong Steel Mills opened in 1967.

The factory, which made steel billets, iron sheets and corrugated iron, was unable to cater to the country's overall demand by itself and so, much of the market was occupied by imports at the time.

Imports finally started to decrease in the mid-80s, when the private sector joined in on producing CI sheets from intermediate raw materials.

In the 1990s, entrepreneurs took the initiative to set up large factories as the demand for steel grew.

And from 1998, the work of setting up factories for manufacturing raw materials such as cold rolled coils of CI sheet started in Chattogram.

Then, five Chattogram-based industrial groups, namely Abul Khair, PHP, TK, KDS and S Alam, set up large factories in this sector between 1998 and 2004.

Basel accords, capital requirements and bank risks

MD MAIN UDDIN

The balance sheet of a bank has two sides: assets and liabilities. The assets are financed by two sources of funds: debt capital (liabilities) and equity capital (owners' equity).

There was a long-standing debate regarding the amount of equity capital a bank should hold. In every country, a specific amount of capital is required to establish a bank. For example, in Bangladesh, it is Tk 500 crore. But with the passage of time, banks become involved in various risky businesses which call for increasing equity capital.

The Basel Committee on Banking Supervision developed the Basel Accords to focus on bank supervision and regulation. It mainly addressed the issue of capital regulation for the safety and soundness of banks.

In 1988, Basel I was developed to set minimum capital requirements for banks. Basel II was expanded with some new rules in 2004. Finally, Basel III was extended in response to the financial crisis of 2007-2008.

According to Basel I, the minimum capital requirement (MCR) was 8 percent of risk-weighted assets (RWA) with 4 percent of core capital. In 2002, the MCR was raised to 9 percent with an increase of core capital to 4.5 percent.

In 2011, the MCR was further raised to 10 percent with an increase of core capital to 5 percent which continued until 2015. The MCR was fixed to 12.5 percent in 2019.

Banks in Bangladesh used to maintain 6 percent of their demand and time liabilities as equity capital before adopting Basel I in 1996.

Bangladesh Bank data showed that there was a significant improvement in capital maintenance over the 1992-2022 period.

The Capital Adequacy Ratio (CAR) was only 5.81 percent in 1992 and it rose to 7.5 percent in

2002.

It increased to 10.5 percent in 2012, 11.63 percent in 2020 and 11.83 percent in 2022. However, India, Pakistan and Sri Lanka maintained a ratio of 16 percent, 16.6 percent and 15.3 percent, respectively, in 2022. Among these countries, Bangladesh had the lowest capital.

Bank category-wise data indicated an outstanding improvement in the CAR of foreign commercial banks. For example, their CAR was 10.12 percent in 1992 and it reached 26.4 percent in 2022.

Private commercial banks also showed almost the same pattern. Their CAR was just 5 percent in 1992 and it jumped to 13 percent in 2022.

Although state-owned commercial banks failed almost every year to maintain the CAR, they were still improving marginally. Their CAR was 4.29 percent in 1992, 8.1 percent in 2012 and 6.4 percent in 2022.

The CAR of specialised banks stood at 6 percent in 1997 and rose to 9.10 percent in 2004. Since then, the CAR has been in negative territory except for 2009. It was negative 35.8 percent in 2022.

The Basel Committee's capital requirements are directly related to the riskiness of assets: the higher the risky assets, the higher the equity capital. However, banks should have other defences like quality management, portfolio diversification, and deposit insurance against risks at par.

Furthermore, they must disclose the riskiness of assets properly so that capital requirements become proportionate to risks. Misreporting of distressed assets may create serious equity capital risk.

The recent report shows that 11 Bangladeshi banks are suffering from capital shortfall. The number of such banks will undoubtedly increase if the volume of distressed assets reported lately by the central bank is considered.

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China's investment in AI may reach \$38.1b in 2027

ANN/CHINA DAILY

China's investment in artificial intelligence is forecast to reach \$38.1 billion (273.9 billion yuan) in 2027, accounting for 9 percent of the world's total, according to a recent report by market consultancy IDC.

The report writes, in recent years, China has continued to lift its capability in artificial industries. In the short term, there is still room for growth for the development of the domestic artificial intelligence market in terms of integrating with different needs of various industries.

In the future, under government support and accelerated industrial upgrade, AI technology will certainly integrate with demands from various industries, and be part of products, services and business modes.

AI hardware will remain the most important destination for market investment over the five-year forecast period, accounting for over 60 percent of investments in the country's AI market.

But the investment proportion will shrink regularly, and the annual investment growth will slow down over the five-year forecast period.

The AI software market is deemed to have greater potential. Investment growth will be number one among the AI technological markets.

The investment in AI software is expected to reach nearly \$10 billion, accounting for about 25 percent of China's total AI market investment, up nearly 6 percentage points of that in 2022.

US growth, a puzzle to policymakers, could pose global risks

REUTERS, Jackson Hole, Wyoming

US economic growth, still racing at a potentially inflationary pace as other key parts of the world slow, could pose global risks if it forces Federal Reserve officials to raise interest rates higher than currently expected.

The Fed's aggressive rate increases last year had the potential to stress the global financial system as the US dollar soared, but the impact was muted by largely synchronised central bank rate hikes and other actions taken by monetary authorities to prevent widespread dollar funding problems for companies and offset the impact of weakening currencies.

Now Brazil, Chile and China have begun cutting interest rates, with others expected to follow, actions that international officials and central bankers at last week's Jackson Hole conference said are largely tuned to an expectation the Fed won't raise its rate more than an additional quarter percentage point.

While US inflation has fallen and policymakers largely agree they are

nearing the end of rate hikes, economic growth has remained unexpectedly strong, something Fed Chair Jerome Powell noted in remarks on Friday could potentially lead progress on inflation to

stall and trigger a central bank response. That sort of policy shock, at a moment of US economic divergence with the rest of the world, could have significant ripple effects.



PHOTO: REUTERS

Fed Chair Jerome Powell, ECB President Christine Lagarde, and Bank of Japan Governor Kazuo Ueda take a break outside at the Kansas City Federal Reserve Bank's annual Economic Policy Symposium in Jackson Hole, US on August 25.

"If we get to a point where there is a need for ... doing more than what's already priced in, at some point markets might start getting nervous ... Then you see a big increase in the risk premia in different asset classes including emerging markets, including the rest of the world," said International Monetary Fund chief economist Pierre-Olivier Gourinchas. "The risk of a financial tightening, a very sharp financial tightening, I think we cannot rule that out."

After the pandemic shock and the inflationary rebound that had most countries raising rates together, it's normal now for policies to diverge, Cleveland Fed President Loretta Mester told Reuters on the sidelines of the Jackson Hole conference on Saturday.

But a lot of rides on the Fed getting it right.

"The economy is a global economy, right? It's an interconnected economy," Mester said. "What we do with our policy - if we can get back to 2 percent in a timely way, in a sustainable way, if we have a strong labor market - that's good for the global economy."

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