



IFIC BANK LIMITED
HR Development & Training Institute
Head Office, Dhaka

BB caps interest rate on fertiliser import finance

Bangladesh Bank advised all commercial banks not to charge more than 14 percent interest on financing for fertiliser import. In a statement, the central bank said the move was meant to ensure adequate supply of fertiliser in the market by cutting import costs of the agriculture input. Some banks have been charging 18-20 percent interest on loans for fertiliser import. That's why Bangladesh Bank has fixed a ceiling on the interest rate on fertiliser imports. In another circular, BB said banks and financial institutions will show post-tax profit by excluding deferred tax assets in their financial statement.

Daily Star: 01.08.2011

Lending rate still high, deposit rate comes down

The banks are still charging high interest on credit, although most of them have reduced their interest rate on deposit, ending the rat race for accumulating funds that began on July 1. The Bangladesh Bank data shows all banks, except two, set the minimum rate of interest on deposit at 12 per cent in line with a decision taken last month by the Bangladesh Association of Banks and the Association of Bankers, Bangladesh. The banks set their interest rate on credit at 15 to 18 per cent with effect from July 1. According to the BB data, the average interest given by the private commercial banks on deposit in May was 13.50 per cent and their average lending rate was 18 per cent. The new interest rate scheme shows all the private commercial banks excepting two are offering a highest of 12 per cent interest on deposit, while the Mutual Trust Bank is offering a maximum interest of 13.50 per cent and the National Bank of Pakistan 13 per cent. The banks on the other hand are charging interest ranging between 12.5 and 18 per cent on industrial loans, with the Premier Bank and the Bangladesh Commerce Bank charging a maximum of 18 per cent interest. The banks also set the range of interest rates on housing loans between 12 and 18 per cent and on consumer credit between 13 and 19.5 per cent.

New Age: 01.08.2011

Inter-Islamic bank money market on the anvil

The Bangladesh Bank directed the country's Islamic banks to take steps for developing an inter-Islamic bank money market to improve their fund management. The market will help the Islamic banks to follow a separate system of their fund management. The Islamic Shariah does not permit payment or receipt of interest by any individual or institution and Islamic banks cannot participate in the interest-based inter-bank overnight money market. An inter-Islamic bank money market can enhance the efficiency of utilisation of the available liquidity. The central bank has already initiated a consultation on the modalities of an inter-Islamic bank money market in the country. An inter-Islamic bank money market will be initiated soon after getting the approval from the finance ministry and it will help the banks concerned in effective management of the liquidity.

New Age: 01.08.2011

BB asks banks to pay freight brokerage charges to Shippers' Council

The Bangladesh Bank directed the Authorised Dealer banks to deposit the freight brokerage charges in favour of Shippers' Council Bangladesh. According to a circular of Foreign Exchange Operation Department, the AD banks have to ensure payment of 0.50 percent fees as freight brokerage charge. AD banks should send the

related documents of freight brokerage charge payment with the quarterly report of income and expenditures and they should confirm about the payment to the SCB by issuing a certificate to the central bank. 'If any bank sent the quarterly reports in the earlier period without paying the fees, they have to match up the amounts and then send the documents,' the circular said. According to the Guidelines for Foreign Exchange Transaction (Chapter 10), the shipping agents and clients of the banks should deposit the 0.50 percent money as freight brokerage charge in favour of SCBs. The circular said that if the AD banks keep the amount of SCB payment, they have to attach the related documents to clear the payment and inform the FEOD timely. It also said that if any bank pays the charges without any receipt, they have to send all the documents with the receipt of charge payment to the central bank.

New Age: 02.08.2011

Changing the banking landscape

Major changes are underway in the local banking sector of Bangladesh. In February this year, Bangladesh Bank (BB) launched the Bangladesh Electronic Funds Transfer Network (BEFTN), which has started to transform the payment and collection landscape of the country. Bangladesh used to have a paper based, manual clearing system for cheques. The country also did not have a single, national clearing house. Clearing in Dhaka, Chittagong and the major divisional towns are conducted by BB, while in around 30 other towns; Sonali Bank conducts the local clearing house activities on behalf of Bangladesh Bank. The first step towards automation started with the launching of the Bangladesh Automated Clearing House (BACH) in 2010. Funded by UK Department for International Development, BACH replaced the physical movement of cheques to the clearing house through image based transfer of cheques to the central bank. Initially, launched in Dhaka, BACPS (Bangladesh Automated Cheque Processing System) has now been rolled out in other major cities. This means a check drawn on a local bank branch in Sylhet can now be placed for clearing in Dhaka without the need to physically send the cheque to Sylhet and present it there in the local clearing house. This has significantly cut down the clearing time as well as the cost of processing checks for outstation collections. In the second phase, BB launched the BEFTN in February 2011. Banks can now transfer funds to each other and credit beneficiaries' accounts electronically through the central bank without sending instruments. This is a radical shift from the traditional payments mechanism in the country, which is again mostly paper driven. Electronic funds transfer reduces turnaround time significantly in the majority of cases to one day from a number of days from traditional payment mechanisms. EFTs are still free as the central bank is yet to take charge for EFT from the banks. Due to global recession, businesses are looking for cost savings and this is a wonderful way to bring efficiency and cost savings for the organisation.

Daily Star: 03.08.2011

BB moves to amend Islamic Bond rules

The central bank has initiated a move to amend the existing Islamic Investment Bond Rules-2004 in order to make this particular type of security lucrative for investors. The latest move of Bangladesh Bank (BB) - the country's central bank - aims to develop an Islamic Financial Market in Bangladesh, aiming to ensure proper management of liquidity affairs of the Shariah-based Islamic banks. Currently, there is no tool for managing liquidity of the Islamic banks in Bangladesh. Some Islamic banks are using their surplus funds among them through an informal or unofficial money market.

Fin. Exp: 03.08.2011

July remittance lower than in June

The country received \$1,028.14 million in remittance in the month of July, the first month of the current fiscal year, the figure being less than in the previous month. According to Bangladesh Bank data released, the inflow of remittance in July, however, was 20 per cent higher than that in the same period of the previous year. According to data available with the Foreign Exchange Policy Department, the amount of remittance in the previous month of June was \$1,038.91 million. The total amount of the remittance inflow was \$8,57.31 million in July, 2010. Of the total amount of remittance, private commercial banks received \$705.70 million in July. The total amount received through four state-owned banks was \$298.56 million while the nine foreign banks received \$14.139 million in July. The two specialized banks—Bangladesh Krishi Bank and BASIC bank—received \$9.73 million. Bangladeshi workers working abroad sent a total amount of 11.65 billion in the last fiscal year 2010-11.

New Age: 04.08.2011

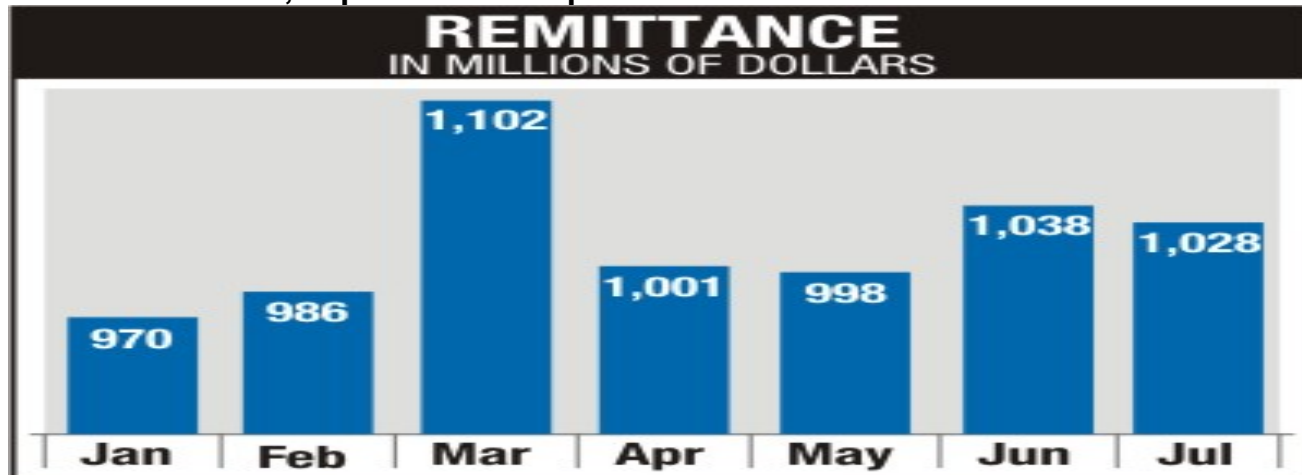
Software export fetches \$35m

The country earned \$35 million by exporting software excluding the IT-enabled service in the last fiscal year, one and a half million dollars up from that of the previous fiscal. Though the country's earnings from software slightly increased in comparison with the previous fiscal year it was at a desired level as the sector had been facing setback for lack of infrastructure facilities, power shortage and bandwidth problem. Lack of infrastructure, resources and submarine cable line are the main barriers to the expansion of the country's software and ITES market. The software and ITES export to America and Europe, the main market of Bangladeshi software, reduced to a great extent due to recent global economic meltdown. Against this backdrop now focusing on the markets in Asia and Africa, where Bangladeshi software and ITES have immense potentials.

New Age: 04.08.2011

Stress piles on balance of payments

Remittance slows, imports shoots up



Bangladesh Bank sees a wider deficit in the current account balance in the country's external sector due to high import pressure and a slowing remittance inflow in the current fiscal year. The deficit in current account balance may widen to \$884 million in 2011-2012 from an estimated surplus of \$564 million a year ago, according to a projection in the central bank's Monetary Policy Statement. If it happens really, the current account balance (of balance of payments) will slip into deficit from surplus after 11 years. The slowing remittance inflow is partly responsible for the feeble state of the current account balance. In July, the first month of the current fiscal year, the remittance inflow was \$1.02 billion, down 1 percent from the previous month, Bangladesh Bank said in a statement. Bangladesh received \$1.03 billion in remittance in June. All types of commodities registered a rise in import but food imports saw a substantial jump. The high import and low remittance growth have created pressure on balance of payments, leading to depreciation of the taka.

Daily Star: 05.08.2011

NBFIs asked to inform BB about top loan defaulters

The Bangladesh Bank asked the non-bank financial institutions to submit to it the latest information about the top-10 loan or lease defaulters every quarter. A circular of the BB Department of Financial Institutions and Markets also gave a specific table to be used by the NBFIs in preparing the reports. The directive comes into effect from the last quarter that ended on June 30. The circular said the NBFIs should submit a soft and a hard copy of the report for the April-June quarter to the central bank by August 15. In a separate circular the BB directed the NBFIs to submit detailed information about the cases lodged against their loan or lease defaulters with the Money Loan Courts in a specific table provided by the central bank every six months. 'The detailed information about the cases filed, under trail, and disposed of in the January-June period should be submitted to the BB by August 20,' the circular said. The NBFIs on the day received a third circular from the central bank, asking each of them to set up a complaint cell at its head office for speedy resolution of complaints lodged by its clients against its services. The NBFIs have to form the complaint cells within a month and inform the BB the details about the cell members.

New Age: 05.08.2011

RMG sector faces tough time on global economic worries

The country's export that saw a record growth in the last fiscal seems to face a serious setback in the current fiscal year, as the key export-driver RMG sector is facing a stiff challenge due to 'economic worries' in the European Union and the USA. The readymade garment export order came down sharply in recent months and most of the factories remained idle or semi-idle due to declining work orders. Further growth in the export sector is apparently impossible, even it will be difficult to maintain the growth that was seen in the last fiscal year.

New Age: 05.08.2011

Australia's central bank slashes growth forecasts

Australia's central bank slashed its 2011 growth forecast from 4.25 per cent to 3.25 per cent, warning the coal industry's recovery from floods was slower than hoped and consumer spending was cooling. The Reserve Bank of Australia, however, did not indicate whether it would increase interest rates despite inflation continuing to stay relatively high. A little more than half of this downward revision reflects the slower-than-expected recovery in the Queensland coal industry, with most of the remainder reflecting slower expected growth in consumption. Downside risks to the global economy had also risen in recent months, according to the Reserve Bank of Australia, with financial markets rattled by debt worries in America and Europe and overheating in Asia. The stark warnings came as global markets suffered massive selling pressure, including a four per cent loss in Sydney afternoon trade. 'There remains a possibility that the sovereign debt problems in Europe and the United States play out in a disorderly and disruptive manner, and that this leads to a marked rise in global risk aversion and uncertainty,' the bank said in its quarterly statement on monetary policy.

New Age: 05.08.2011

Wall Street closes worst week since 2008

Stocks closed out their worst week in more than two years on 05.08.2011 in a volatile session that saw the major indexes whip back and forth before the S&P 500 ended down less than a point. More than 15.9 billion shares — or more than twice the daily average volume — traded in the busiest day in more than a year as investors ploughed into cash-rich mega-cap stocks that had been beaten down in recent days as the market dropped. The market's swings on that day were fast and furious, with the Dow Jones industrial average covering 416.41 points from its session high to its intraday low. The intense selling this week reflects frustration with sluggish economic growth and politicians' inability to address pressing concerns over high public debt in Europe and the United States. Options volume hit a record, a sign investors were protecting their portfolios from further declines. The CBOE Volatility Index or VIX, Wall Street's so-called fear gauge, rose as high as 39.25 earlier, its highest level since May 2010, but ended at 32, up 1.1 per cent. 'Still, the volatility index is up almost 90 per cent during the past two weeks, as fears about the European debt crisis, the global economy and earnings have taken a heavy toll on investor sentiment. The S&P 500 is now down 12 per cent from its April 29 closing high. The Dow Jones industrial average rose 60.93 points, or 0.54 per cent, to end at 11,444.61. But the Standard & Poor's 500 Index edged down just 0.69 of a point, or 0.06 per cent, to finish at 1,199.38. The Nasdaq Composite Index slipped 23.98 points, or 0.94 per cent, to close at 2,532.41. On the New York Stock Exchange, decliners beat advancers by a ratio of about 3 to 1, while on the Nasdaq, more than two stocks fell for every one that rose. For the week, the Dow fell 5.8 per cent, the S&P 500 was down 7.2 per cent and the Nasdaq was off 8.1 per cent. Among individual stocks, Bank of America and Citigroup continued their declines, with both stocks hitting a new 52-week low. Bank of America shares fell 7.5 per cent to \$8.17, off a 52-week low at \$8.03, and Citigroup dropped 3.9 per cent to \$33.44, off a 52-week low at \$31.81.

New Age: 06.08.2011

BB, JICA team up for small businesses

Bangladesh Bank and Japan International Cooperation Agency (JICA) have signed an agreement to provide financing facilities to the country's small and medium enterprises. Under the deal, JICA will lend Tk 400 crore to the central bank to be refinanced among Bangladesh's private commercial banks for distributing among SMEs for buying machinery and technology. The JICA fund carries 0.01 percent interest and the repayment period is 40 years with a 10-year grace period. Meanwhile, Bangladesh Bank is preparing a database of the loan recipient of SMEs on pilot basis in association with International Finance Corporation.

Daily Star: 07.08.2011

Export earnings up by 28pc in July

Export earnings of the country stood at \$ 2,339.52 million in July 2011 increasing by 28.70 per cent over the earnings in July 2010. Export Promotion Bureau released the latest figures of export that showed the earning was 7.40 per cent higher than the target of \$ 2178.30 million set for July. But the export growth in July declined by 1.95 per cent compared to June 2011 when export earnings amounted worth \$ 2,386.04 million showing a speedy growth of 40.25 per cent. The export earning had been growing for the last three months before July. The earning was \$ 2,036.17 million in April, \$ 2,295.10 million in May and \$ 2,386.04 million in June 2011. The growth of export earnings has been very well with 28.70 per cent growth in July this year over 26.49 per cent growth in the same month in 2010. The RMG sector also continued a robust growth as the price of yarn and cotton decreased on the global market recently. Depending on the quantity of orders from the buyers, this outstanding growth would prevail in the future if the country could ensure an investment-friendly environment. The country has earned a total of \$ 1,512.35 million in July, a decrease by \$ 515.16 million from the earning in June, from the apparel sector. The earnings consisted of \$ 798.66 million from knitwear export, \$ 671.28 million from woven garments export and \$ 42.41 million from home textile export. Although the earnings from home textile exports decreased by 23.68 per cent, the earnings from knitwear and woven garments increased by 13.53 per cent and 13 per cent respectively over the export target fixed for July. Earning from the jute sector decreased by 30.54 per cent over the target from \$ 110.23 million to \$ 76.57 million, but increased by 54.66 per cent over the performance of July in last year of which raw jute fetched \$ 19.77 million, jute yarn and twine \$ 36.48 million and jute sacks and bags \$ 17.03 million. Frozen food exports earned \$ 58.69 million, shrimps alone earned \$ 52.36 million, decreasing 1.72 per cent over the target, but increased 30.63 per cent over the same period in last year. Export earning of leather increased by 8.80 per cent over the target and 22.03 per cent over the performance in July last year amounting to \$ 29.30 million.

New Age: 08.08.2011

Asian banks face squeeze after US debt rating cut

Asia's banks are seen facing a bump-up in dollar-funding costs and potentially slower credit growth after Standard & Poor's historic US debt rating downgrade, strengthening China's case to push the yuan as a global alternative to the dollar. Banks in Asia have about 15-20 percent of their loan book in US dollars. Analysts said their demand and costs have been climbing. Singapore's DBS and OCBC have loan-to-deposit ratios in US dollar of 140-160 percent. That means they do not have sufficient US dollar deposits for loans but borrow from the wholesale market to finance corporate needs. Among banks with significant Asian operations, HSBC plc has the highest exposure to US government debt, at \$68.3 billion, or 2.6 percent of its total assets, Deutsche Bank wrote in a research note. The Australian central bank, its major banks and pension funds together hold A\$11.2 billion (\$11.7 billion) of US treasuries, analysts estimate, which is tiny compared to at least A\$500 billion in assets held by each of the major banks. Unlike the global financial crisis of 2008, the current situation is unlikely to increase banks' bad-debt levels, analysts say. If anything, slower economic growth in the United States will translate into slower growth of several Asian economies. That would result in slower credit growth, eventually impacting bank earnings in Asia. Also, under Basel II banking regulations, any securities held by banks at or above AA- are still given a zero risk weighting in calculation of their capital ratios.

Daily Star: 09.08.2011

BB raises cash incentive for leather export sector

The Bangladesh Bank on 08.08.2011 issued a circular increasing the cash incentive for the leather export sector from 12.5 per cent to 15 per cent for the current fiscal year. The decision came in response to the demand raised by the leather and leather goods exporters for increasing policy support to the sector, which they argued was facing a number of problems.

New Age: 09.08.2011

Tax return submission deadline Sept 30

The National Board of Revenue has set September 30 as the deadline for submitting tax returns for the last financial year. Officials of NBR said that the board would organise tax fairs in divisional headquarters before the deadline expires after it successfully held a fair in the city last year. The fair in the city will be held in September 17-22 at the Officer's Club. As well as tax fairs, two additional stations will be set up to facilitate

online tax payment. As the government extended the ceiling of tax-free income in the current budget, there would some changes to tax rates this year. Besides, government officials will now have to pay their own taxes based on basic salary.

New Age: 09.08.2011

BB to release new banknotes

Bangladesh Bank is set to release banknotes of five denominations with the portrait of Bangabandhu Sheikh Mujibur Rahman. The notes of Tk 2, Tk 5, Tk 100, Tk 500 and Tk 1,000 will be issued initially from the central bank's Motijheel office counter in Dhaka, the regulator said in a statement on 9th August. The banknotes will later be released from other offices of the central bank and all commercial banks. Alongside the new notes, the banknotes and metal coins now in circulation will also remain valid, according to the statement. The Tk 2 note will bear the signature of Finance Secretary Mohammad Tareq, while the other bank notes will carry the signature of BB Governor Atiur Rahman. All the notes have been printed on a more durable paper mixed with synthetic fibre. The portrait of Bangabandhu has been printed on the front side of the notes while the National Memorial has been printed in light colours in the background. The Tk 2 note has the picture of the Central Shaheed Minar, Tk 5 note has the picture of Kusumba Mosque in Naogaon, Tk 100 note has Star Mosque, Tk 500 note contain the scenery of agricultural farming. The Tk 1,000 note contains the image of Jatiya Sangsad. Except for the Tk 2 note, Bangladesh Bank is written on the backside of all notes. The Tk 500 and Tk 1,000 notes have seven lines in special ink on the right side, which can be easily felt on touch. The Tk 500 note has four small dots for the benefit of the visually impaired people while the Tk 1,000 note has five small dots.

Daily Star: 10.08.2011

Investors, traders fear slowed-down economy this fiscal

Investors and traders fear a slowed-down economy in the ongoing fiscal year (FY) to June 2012, as they fear fresh political violence in the country in the coming days. Bangladesh drew worth \$913 million as foreign direct investment in 2010 and exported goods worth \$23 billion and received remittances worth \$13 billion in the FY 2010-11, official figures showed. The fresh wave of protests by the opposition at this stage is likely to be followed by tougher campaign which may cripple business once again.

Fin. Exp: 10.08.2011

BGMEA files application to MoF for bank licence

Apparel exporters have submitted a formal application to the Ministry of Finance (MoF), seeking a licence to set up a specialised bank. Many factory owners were not getting help from the existing commercial banks which create hindrance to the expansion of our largest foreign exchange earning sector. The main objective of the specialised bank will be to give financial support to the struggling and newly established factories.

Fin. Exp: 10.08.2011

Banks tighten consumer loans

Banks offer household loans to help consumers buy goods like television, freeze, air conditioner and many other home appliances, and it was common in past festivals. The banks' offers of discounts like reduced rates and waivers on administrative and processing fees to rope in customers are also missing this time. Most of the banks admit that tight monetary conditions and soaring inflation are making things difficult for them. This year, it will be difficult for shoppers to buy things on credit. In its monetary policy for July-December 2011, Bangladesh Bank has targeted to bring down the private sector credit growth to 18 percent by next June from present 25.5 percent, aiming to rein in soaring inflation. Some leading banks, engaged in retail and consumer banking, have restricted consumer loans this year in a bid to lend the corporate sector.

Daily Star: 11.08.2011

BB monitoring refinancing scheme by scheduled banks

Bangladesh Bank Governor said the central bank is monitoring the implementation status of refinancing scheme by scheduled banks so that women entrepreneurs can avail themselves of the opportunity to get maximum benefit from it, said a statement. The governor suggested the SME bank officials of the central bank take initiative for cluster development for women entrepreneurs. BWCCI president said the circular issued by Bangladesh Bank regarding the refinancing scheme has been proved helpful for women entrepreneurs but the

circular is not being followed by some banks at rural areas and many branches still do not have Women Entrepreneur Dedicated Desk.

Fin. Exp: 11.08.2011

Banks in Asia review credit to French lenders

One bank in Asia has cut credit lines to major French lenders while five other banks in Asia are reviewing trades and counterparty risk as worries about the exposure of French banks to peripheral euro zone debt mounts, banking sources told Reuters. Rumours on 10.08.2011 that France was to lose its AAA rating, later denied by ratings agencies, helped trigger the biggest widening in the European credit default swap index since the credit crunch in 2008. That sudden rise in risk perception, combined with sharp share price falls in French banks, prompted some banks in Asia to speed up reviews of counterparty risk and look at whether they should cut exposure to European lenders.

New Age: 11.08.2011

US June trade gap biggest since 2008

The US trade deficit sharply grew in June to its widest since October 2008 as exports fell, official data showed. The commerce department said the international trade gap was a seasonally adjusted \$53.1 billion, after an upwardly revised \$50.8 billion in May. The June trade deficit was far wider than expected by most analysts, who penciled in an average estimate of \$48.0 billion due to slowing demand as the economy staggers. Imports fell 0.8 per cent from May, to \$223.9 billion. The decrease was mainly due to a decline in prices for oil and commodities used in manufacturing, a sector that slowed in June. But in a more worrying development for US economic growth, exports fell for the second consecutive month in June, by 2.3 per cent from May to \$170.9 billion. The sectors hardest hit by falling demand for US goods were industrial supplies and materials; capital goods; and foods, feeds and beverages. The unexpected drop in exports could lead to a lower estimate for second-quarter growth in gross domestic product, the broad measure of the nation's goods and services output. The first estimate of GDP growth in the April-June period was a weaker than expected 1.3 per cent rise from the same period in 2010.

New Age: 11.08.2011

Indonesia suspends bank purchases

Indonesia suspended the issuance of permits to purchase banks as it mulls new ownership laws that would limit how much single investor can buy in local commercial lenders. The proposed regulation is designed to improve prudential practices in commercial banks by preventing a single investor dominating management. Single investors currently can own up to 99 per cent of local banks. The restriction would apply to local as well as foreign investors but it could especially hit offshore interest in the local banking market and force some foreign players to sell their majority stakes. Interest in the local banking sector has grown thanks to Indonesia's booming economy, with growth expected to reach about seven per cent this year, and the related expansion of its domestic consumer market.

New Age: 12.08.2011

Exporters to benefit from US downgrade

The latest crisis centring the downgrade of the US credit rating, which is supposed to weaken the greenback against other currencies, will benefit Bangladeshi exporters with an edge over their competitors. Bangladesh's competitors in apparel exports, including China, India and Vietnam, are speculating that the dollar would fall considerably against their respective currencies, which would reduce their exporters' competitiveness. If an Indian exporter now gets Rs 45.33 (Thursday) against a US dollar, he may get Rs 43 after the impact. Similarly, the Chinese exporters may get less from the present 6.39 Yuan against a US dollar. But in Bangladesh the dollar has been gaining against the taka for the past several months and it may rise further on an increase in import demand. Now an exporter gets nearly Tk 74 for a dollar. Ninety five percent of Bangladesh's total external trade worth \$56 billion in fiscal 2010-11 was done in the dollar. Though Bangladesh follows a floating exchange rate, it is often managed by the central bank.

Daily Star: 12.08.2011

BD entrepreneurs seek govt nod to open bank in Zambia

Some fifteen Bangladeshi entrepreneurs who are trying to get lands on lease in African countries have applied

to the government seeking permission to transfer Tk 500 million to establish a bank in Zambia. They want to establish the bank named "Islamic Bank of Zambia Ltd" in partnership with some other Bangladeshi entrepreneurs living in the United Kingdom and the United States of America. However, Bangladesh Bank has asked them to apply with permission from the government high-ups since the current account is not convertible under the present foreign exchange regulation.

Fin. Exp: 12.08.2011

BB brings back credit discipline

The credit-deposit ratio (CDR) of commercial banks came down to a safe limit in June, as the surplus inter-bank deposits were included in total deposits. Commercial banks are not allowed to invest more than 85 percent of their deposits, while Islamic banks cannot exceed the 90 percent limit. On June 30, the CDR of 43 local and foreign commercial banks fell to 79.68 percent from more than 85 percent in December last year. In many banks, the ratio was above 100 percent. The banks' overall deposits increased by 11.22 percent on June 30, compared to six months ago. Credit fell 6.20 percent. The banks included Tk 7,605 crore in the total deposits in June, according to the central bank. The BB set a deadline for the banks to bring down the CDR to the safe limit by June to restore credit discipline. The central bank relaxed the rules and said the banks can calculate inter-bank deposits in their total deposits. The CDR by state commercial banks was 72.9 percent on June 30. Those banks included Tk 4,580 crore inter-bank surplus deposits in their total deposits. The CDR of the private commercial banks was 82.92 percent and they included Tk 2,992 crore in the inter-bank deposits, while that of foreign commercial banks was 76.96 percent and they added only Tk 32 crore in the inter-bank deposits. Of the 30 private commercial banks, only nine included inter-bank deposits of over Tk 100 crore in their CDR. As part of its overall monetary policy, the central bank takes steps to bring down credit growth to control soaring inflation.

Daily Star: 14.08.2011

Lankan Combank June net up 63pc

Sri Lanka's Commercial Bank of Ceylon's net profits in the June 2011 quarter rose 63.8 per cent to 1.97 billion rupees, amid strong credit growth and containment of interest expenses, interim accounts show. The group reported earnings of 5.17 rupees per share for the quarter. For the six months it reported earnings of 10.57 rupees. Profits were also helped by a lower rate of tax, the bank said. A so-called financial value added tax fell 41 per cent to 373 million rupees and income tax fell 11 per cent to 824 million rupees. Group interest income rose 9.1 per cent to 9.1 billion rupees but interest expense grew at a slower 1.8 per cent to 4.6 billion rupees allowing net interest income to grow 17.7 per cent to 4.49 billion rupees.

Fin. Exp: 14.08.2011

21 banks disburse higher loans than deposits in 7 month

The amount of credit growth was higher than the deposit growth in 21 banks in last seven months, shows the latest data of the central bank released last week. Bangladesh Bank data shows the loan disbursement by those banks was 23 per cent in the last January-July period while their deposit was 21 per cent on an average. According to the BB data, among the 21 banks there are four state-owned commercial banks, nine private commercial banks, seven foreign banks and one specialised bank. The average rate of deposit among the banks was 21.49 per cent but the banks disbursed higher amount of credit from their reserve funds. According to the BB, import financing and private sector loans, especially for the small and medium enterprises, contributed to the rise of loan disbursement. The total value of import L/Cs opened by the banks during FY 2010-11 was \$ 38582.35 million which was 34.04% higher than that of the same period of the previous year. BB data shows that loan disbursement was higher in the four state-owned banks. The amount of deposit in the four state-owned banks was Tk 1,05,636 crore, private banks' deposit was Tk 2,56,732 crore and the nine foreign banks' deposit was Tk 27,849 crore. In total, loan disbursement by 30 private banks increased by 21.85 per cent in the last six month and the average deposit growth was 26.14 per cent. In FY2010, the amount of credit given by the state-owned commercial banks was Tk 61,978 crore, private commercial banks Tk 1,73,426 crore, foreign banks Tk 15,920 crore and specialised banks Tk 16,982 crore. In FY2010-2011, the state-owned commercial banks posted a year-on-year lending growth of 31 per cent, private commercial banks 23 per cent and foreign banks 28 per cent, while the specialised banks showed a negative growth of 8.4 per cent.

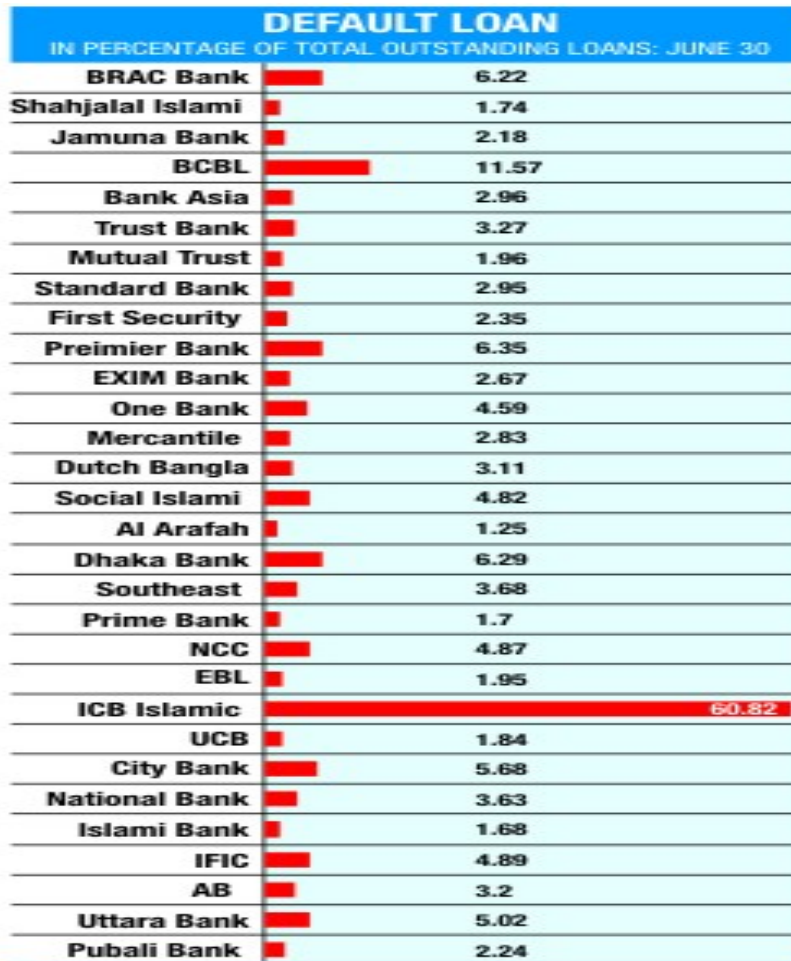
New Age: 16.08.2011

BB warns banks against harassing people willing to change soiled, torn notes

Bangladesh Bank has cautioned commercial banks against harassing people willing to change soiled and torn notes. The department concerned of the central bank is receiving allegations from people that most of the commercial banks are reluctant to change their torn and soiled notes. 'As per BB's rules, commercial banks are bound to change torn and soiled notes in all denominations and banks must hang a notice in each branch to provide people this service. The central bank would take immediate steps against the bank concerned if it gets specific allegations from aggrieved people. The central bank often sends its officials on surprise visits to banks to stop harassment of people. It has been trying to increase the number of teams for surprise visits despite manpower shortage.

New Age: 16.08.2011

Default loans on the rise



Default loans continued to rise in the second quarter -- by Tk 643 crore or 2.66 percent -- due to sluggish activities in the industrial sector and unhealthy competition among some private banks. On June 30, banks recorded default loans of Tk 24,384 crore of their outstanding loans, up from Tk 23,752 crore on March 30, according to Bangladesh Bank statistics. In the first quarter to March, default loans rose by Tk 1,043 crore or 4.59 percent. In percentage, however, default loans went down slightly because of a rise in outstanding loans. Default loans of all private commercial banks, state-owned commercial banks and foreign commercial banks increased, except for the specialised banks, but the rise was the highest among the private banks. In June, bank statistics. Such loans in state banks increased by Tk 592 crore and in the foreign banks by Tk 37 crore. But default loans of the specialised banks went down by Tk 124 crore during the same period compared to that in March. Due to an unhealthy competition, some banks do not put adequate efforts to realise default loans from some parties.

Daily Star: 17.08.2011

Inflation hits 3-year high on soaring food prices

Inflation, which had remained at a double-digit level for the five months since March, hit a three-year high of 12.96 per cent in July, far above the government's target of 7.5 per cent, according to the data released by the Bangladesh Bureau of Statistics on 18.08.2011. The BBS data reveals that the point-to-point inflation in the current fiscal year has been continuously increasing on the back of soaring food prices. In January 2008, during the immediate past interim government, inflation reached 11.43 per cent, the highest single-month average inflation in the country. The average rural inflation rose to 11.09 per cent in July 2011 from 10.91 per cent in June and the urban inflation to 10.65 per cent from 8.33 per cent. Food inflation also increased from 12.51 per cent in June to 13.40 per cent in July, with the rate being higher in the rural areas at 13.56 per cent and standing at 13.12 per cent in urban areas, BBS data shows. Non-food inflation also rose in both urban and rural areas in July compared to that in the previous month. In July, the average non-food inflation stood at 6.46 per cent, increasing from 4.15 per cent in the same month of the previous year. The Bangladesh Bank statistics shows the average inflation in the country in the last 10 fiscal years was 6.31 per cent, with the food inflation standing at 7 per cent and non-food inflation at 5.28 per cent.

New Age: 19.08.2011

BB's profit jumps

Bangladesh Bank's profit jumped to Tk 2,500 crore in the last fiscal from Tk 948 crore a year ago. BB governor attributed the robust rise in profit to the prudent fund management by the central bank, which included investment in right sector and timely decision on fixing repo rate. The central bank made the significant profit due mainly to proper and timely investment of its foreign exchange reserves in gold and rising repo rate considering the market demands. The annual financial statement of the central bank, approved by the auditor also showed that the BB gave around Tk 1,664 crore to the national exchequer in 2010-11, which was nearly three times higher than Tk 600 crore of 2009-10 financial year. The central bank last year invested a significant amount from its foreign exchange reserves in buying 10-tonne gold. The investment had now increased by around 150 per cent on its market value, contributing to the healthy profits. Besides, the central bank increased the interest rate of repo and reverse repo for few times in the past year to manage money supply and inflation as well, which also helped it get some extra edge in making profit.

New Age: 21.08.2011

Export earning from jute sacks, bags up by 81pc

Export earning from local jute sacks and bags went up by around 81 per cent during the first month of the current financial year (2011-12) due to the policy support from the government as well as growing demand in the overseas market for the products. According to an Export Promotion Bureau data, the country earned from jute sacks and bags around \$ 17.03 million in July 2011, up by 80.98 per cent from \$ 9.41 million fetched in July 2010. The UAE authorities will impose embargo on plastic shopping bags in 2013 as such bags severely pollute the environment. This will prompt import of a large quantity of eco-friendly bags by the UAE from the overseas to meet the ever-increasing demand for such items. On the other hand, the global market of jute-made bags will be worth 500 billion pieces, equivalent to seven million tonnes of jute products, in the coming days as actions are on to remove poly or plastic materials from all over the globe, considering their negative impact on the environment.

Fin. Exp: 23.08.2011

BB proposes new limit for banks' exposure to stock market

The central bank has proposed to amend the existing regulations relating to capital market investment by the country's commercial banks to minimise risks. Under the proposal, the commercial banks should not be allowed to invest more than 25 per cent, in any form, of their total equity capital in the share market. A bank is now allowed to invest in capital market up to an amount, not exceeding 10 per cent of its total liabilities. Currently, the banks are allowed to invest 10 per cent of their liabilities (deposits) in the share market in line with the section 26 (2) of the Bank Company Act 1991. Under the existing rules, holding of equity share in any form should not exceed the approved limit under section 26(2) of the Bank Company Act. Additional or unauthorised amount of holding will be deducted at 50 per cent for Tier-1, generally known as core capital and 50 per cent from Tier-2, generally known as supplementary capital. In April last, the International Monetary

Fund (IMF) suggested for an amendment to the regulations relating to investment in stock market by the banks to minimise their risks. The central bank has estimated that if any bank invests 10 per cent of its deposits and if the share price slides by 25 per cent from its purchase price, the bank's capital adequacy ratio will decline by a minimum of 2.0 per cent. The BB has already informed all commercial banks of the results of such stress test for taking necessary measures in this connection, another BB official said adding the IMF provided technical support for conducting stress test for the banks in 2009.

Fin. Exp: 24.08.2011

Call money rate hits 15pc

The inter-bank call money rate hit 15 per cent on 23rd August as withdrawal of cash from banks gathered pace ahead of the Eid-ul-Fitr festival. The call rate ranged between 12.00 per cent and 15.00 per cent on the day against the previous range between 6.75 per cent and 12.00 per cent. However, most deals were settled at rates varying between 13.00 per cent and 14.00 per cent. Most banks located at Motijheel, Dilkusha and other commercial places of the capital witnessed long queues of people waiting to withdraw money before the Eid festival. In the foreign exchange market, the Bangladesh Taka (BDT) appreciated marginally by 0.61 per cent against the US dollar in last two working days as the inflow of the foreign currency increased in the market. The country received a total of \$ 459.49 million in remittances during the period between August 1 and August 12 last and the flow might cross \$ 1.0 billion by the end of this month.

Fin. Exp: 24.08.2011

New banks: BB opts for further review

The Bangladesh Bank will review the performance and governance of the existing private banks before giving permission to set up new ones, according to a decision of its board on 24th August. The BB also decided if new banks are allowed, they will have to face a set of new conditions. The board advised the BB to include in the proposal some new conditions, which a new bank will have to meet to get a licence. Most members were against allowing new banks and stressed the need for further review of the present banking situation if permission has to be given at all. In the subcontinent, Bangladesh has the highest number of banks -- 47, whereas no new banks were allowed after 2001.

Daily Star: 25.08.2011

Bangladesh Bank CIB online service fails to meet the expectation

The online services of the Credit Information Bureau of Bangladesh Bank are still far short of achieving a minimum operational efficiency. Some 4,000 to 5,000 queries to the CIB are still made manually a day, compared to 5,000 to 6,000 queries before the online facility was launched on July 19. According to CIB officials, one of the main reasons for the situation is that the banks and non-bank financial institutions so far have failed to trace at least 1.5 lakh loan defaulters and, so, to submit detailed information about them to the bureau. According to the existing provisions, if any client of a bank or financial institution wants to take a loan of Tk 50,000 or more, that bank or NBFIs is required to gather a report from the CIB to check whether the client is a loan defaulter or has any outstanding loan with any other bank or financial institution. Loan defaulters had provided the particulars about themselves to the respective banks and NBFIs a long time ago, which were not updated moreover some of the defaulters are not living in the country any more, while many others gave false addresses deliberately. Meanwhile BB in a letter to the banks and financial institutions directed to find out the loan defaulters and inform quickly. But, the central bank officials are optimistic and said that the online sharing of CIB reports would help the banks and NBFIs get important credit information in a few minutes and make their lending services faster. According to the BB, all the 47 banks and 29 NBFIs of the country will be able to collect the online CIB reports. Banks and financial institutions now access credit reports from CIB online at their own sites instead of the time consuming process of applying for and obtaining reports printed on paper. According to the BB data, CIB provided more than 10 lakh credit information reports in 2010. At present there are 92.50 lakh borrowers in the banking system.

New Age: 26.08.2011

50pc of micro-credit goes to well-off

Around 50 per cent of microcredit goes to the well-off although the microfinance concept was developed to assist marginal people to address poverty, according to a study. The first phase study of the long-term panel surveys titled 'Asset Accumulation and Poverty Dynamics in Rural Bangladesh: The Role of Microcredit'

covering 6,500 rural households in 63 districts. It examined various factors including the role of microfinance that have a casual influence on this dynamics. The study reveals that a good deal of microcredit appears to be wasted while only about half of the borrowers belong to the categories of poor and marginal poor, and the other half are well-off; and the microcredit does very little good to the well-off. It shows that almost half of marginal and poor households are left out. Many of them will perhaps never take microcredit and probably should not earlier, because like any other intervention microcredit is not suitable for everybody. The study found that access to microcredit enhances the probability of moving up the asset ladders and reduce the probability of falling. While this is true for both poor and non-poor households, the effect is much stronger for the poor. For the poor borrowers, the microcredit reduces the probability of falling through the asset ladder by seven per cent and increase the probability of moving up by 4.5 per cent. The study showed that the contribution of microcredit to asset accumulation has translated itself into contribution to poverty reduction. Access to microcredit reduces probability of being poor by 2.5 per cent. The households perceive interest rate to be serious impediment to borrowing. This is evident from the fact that among those who stopped borrowing, only two per cent cited high interest rate as the main reason. For nearly 80 per cent borrowers the self-estimated breakeven interest rate is above 20 per cent, which is comfortable above the rate charged by the microfinance institutions, it says. About overall contribution of microfinance to poverty reduction, the study interestingly found that microcredit contributes little — 4 per cent — to reduce poverty while foreign remittance contributes to reduce poverty by 5 per cent, employment opportunity by 16.2 per cent and education of households head by 20.3 per cent.

New Age: 26.08.2011

Only 9pc of BB green energy fund disbursed in 2 years

Only nine per cent of the Bangladesh Bank's loan refinance scheme for renewable energy and clean water projects has been disbursed in the two years since the facility was launched on August 3, 2009. Till July 2011, banks and financial institutions have borrowed only Tk 17.46 crore from the Tk 200 crore revolving funds. Under the scheme, the central bank fully guarantees loans provided by commercial banks for solar power projects, biogas plants and industrial effluent treatment facilities. The amount of fund disbursed so far under the scheme was very poor due to a lack of awareness of clients of the banks and financial institutions about the facility. But, the rate of disbursement is improving. Most of the projects refinanced under the scheme are solar energy installations. Under the scheme, banks and financial institutions can get loans at five per cent interest from the central bank and they can charge a maximum of nine per cent interest on loans provided directly to their customers for implementing green energy and clean water projects. But, if a bank or an FI provides the loans through non-government organisations, the interest rate can be stepped up to 10 per cent. To date, 22 banks and FIs have availed of the refinance facility from the alternative energy fund. Of them, 18 are private commercial banks, two state-owned banks, one is a foreign bank, and the last a financial institution. According to the BB guidelines, the highest amount that can be lent for a project under the scheme is Tk 1 crore. The guidelines said, 'Banks and FIs can lend a maximum of Tk 70,000 in rural areas and Tk 175,000 in urban areas for installation of a solar panel, a maximum of Tk 36,000 for a bio-gas plant or a poultry farm, a maximum of Tk 30,000 for a cattle farm, and a maximum of Tk 1 crore for an ETP under the refinancing scheme.'

New Age: 27.08.2011

18 banks fail to pay \$330m by deadline

Eighteen banks have failed to pay clients \$330 million of export-import bills before August 25, the deadline set by the Bangladesh Bank. The central bank issued a circular on August 23, asking the banks pay the bills before 25 August. 'If they fail, the central bank will pay the overdue bills from the reserve funds of the banks, and these banks might have to pay penalties,' said the circular. Among the defaulting banks are four state-owned banks, two specialized banks and twelve private commercial banks. The defaulting banks might lose their authorized dealer licence for foreign exchange transactions. The BB had warned 41 banks, dealing with export-import financing, to complete the payments within last May. Among the 41 banks in the country, 20 banks have not paid their overdue bills of the clients. Among the defaulting 20 banks, two banks could not pay the bills as the matter became sub judice because of legal battles between banks and clients. The Bangladesh Bank on 23 August issued a letter urging the banks to immediately pay the overdue bills of the export-import transactions, but the banks failed again.

New Age: 28.08.2011

Exports to Europe rise in last fiscal

Driven by the marked performance of RMG, frozen shrimp, and leather and leather goods, the country's exports to key destinations like Germany, the UK and France posted a healthy growth in the last fiscal compared to the fiscal 2009-10 year. In the 2010-11 fiscal, exports to Germany totalled \$3,438.70 million, which was 15 per cent of the total export earnings during the period. Of the amount, knitwear accounted for \$2,022.05 million, followed by woven garment \$1,108.91 million and frozen shrimp \$42.02 million, according to latest figures of the Export Promotion Bureau. The EPB figures show that exports to the UK totalled \$2,065.38 million during July-June period of last fiscal, which was 9.01 per cent of the total export earnings. Export of RMG items to the UK accounted for \$1,759.88 million as against \$1,260.03 million during fiscal 2009-10, showing a 39.67 per cent growth. The home textile export to the UK during the period was \$78.59 million, frozen shrimps \$63.67 million and bicycles \$66.18 million. Exports to France during the 12-month period increased to \$1,537.98 million, which accounted for 6.71 per cent of the total export earnings for the period. RMG exports to France rose to \$1,405.69 million during the period as against \$952.91 million during the same period of fiscal 2009-10, showing a 47.52 per cent growth. Exports to Italy totalled \$866.42 million in the last fiscal with knitwear accounting for \$525.17 million, woven garment \$236.76 million and leather \$38.67 million. Exports to Belgium amounted to \$666.24 million that included knitwear \$299.74 million, woven garment \$162.93 million, frozen shrimp \$128.47 million, and jute yarn and twine \$29.93 million, according to the EPB figures. Export earnings from the USA, the largest market for Bangladeshi goods, registered a robust growth in the last fiscal totalling \$5,107.52 million, which was 22.28 per cent of the total export earnings. The Netherlands, another big export destination for Bangladesh, imported goods worth \$1,107.13 million during the last fiscal. This included knitwear \$591.07 million, woven garment \$374.13 million and frozen shrimp \$62.19 million. Among the Middle East, Far East and South Asian countries, exports to Iran totalled \$97.15 million, Japan \$434.12 million, Singapore \$113.41 million and China \$319.66 million. Among the South Asian countries, exports to India amounted to \$512.51 million that included jute and jute made goods \$158.52 million and woven garment \$25.45 million while exports to Pakistan totalled \$86.79 million, including jute and jute made goods \$71.93 million.

New Age: 28.08.2011

Dollar-supply crunch creating a crisis in Asia

A dollar-supply crunch in Europe is creating a shortage in Asia's financial centres, pushing up the cost of obtaining the greenback through the swap market. The European Central Bank lent dollars for the first time in six months after one undisclosed bank tapped \$500 million from its liquidity supply operation on August 17, reflecting the reluctance of global finance companies to lend in the region. European lenders may need to raise euro 80 billion (\$116 billion) through year-end to fund their businesses, Morgan Stanley estimated in an August 15 report. The five-year basis swap in Singapore fell to minus 61.5 bps on August 27 and reached minus 66, the lowest since 1999. Hong Kong's one-year spread reached minus 48 on August 19, the lowest since at least 1997. The similar contract in South Korea touched minus 230 on August 19, the lowest since November 2009.

Fin. Exp: 28.08.2011

Sri Lanka rupee under steady pressure

Sri Lanka's rupee came under steady pressure as the spot dollar rate was held at 110.00 rupees with forex sales by monetary authorities, with interest rate pressure also resisted earlier in the week. Dealers estimate that on August 25 out of 26 million dollars in spot sales about 80 percent came from a state name that usually acts for the monetary authority. Excess rupee liquidity in money markets is being rapidly extinguished due to dollar sales by the monetary authority. So far in August about 30 billion rupees of excess liquidity has been extinguished from money markets pointing to dollar sales of over 250 million. Last month 416 million dollars were sold to defend the peg. Analysts say Sri Lanka's rising expanding credit has created a need for interest rates to increase to restore macro-economic equilibrium. To repay holders the central bank has to either print money, worsening the balance of payments crisis or the Treasury has to overdraw state banks.

Fin. Exp: 28.08.2011

US\$ hits Tk 78 in kerb market

The exchange rate of US dollar in the open market, known as kerb market, hit Tk 78.00 on August 25. The US currency has reached its maximum rate at Tk 78 as the demand for the greenback increased substantially to meet the growing demand of the outbound passengers. A section of people with their family are flying aboard to celebrate the Eid festival. This has pushed the exchange rate of US currency to a maximum of Tk 78 in the kerb market. The flow of cash dollar to the kerb market is being affected due to supply-side constraints, although the demand for greenback has remained unchanged. Besides, the tough anti-money laundering act has been discouraging the expatriate Bangladeshis from sending their hard-earned money through illegal 'hundi' channel. In the formal market, five state-owned banks were selling the greenback at Tk 75.15 and buying at Tk 74.15 on August 25. The central bank is closely monitoring the market situation but it cannot intervene directly in the kerb market. The greenback was sold between Tk 77.50 and Tk 78.00 in the kerb market on August 25, while the buying rates were between Tk 76.50 and Tk 77.00.

Fin. Exp: 29.08.2011

Emerging economies shouldn't rely on dollar

Emerging economies should find other ways to buffer themselves from global crises than stockpiling U.S. government debt. Emerging countries seeking protection from global shocks by individually stocking up on U.S. debt would be better off banding together to create a pool of funds that could be drawn on in a crisis. Doing so would give them a backstop should they need it, without saddling their national investment portfolios with debt that could turn sour. Sharply rising levels of public borrowing and weak growth prospects in the United States mean that over time the dollar will continue to decline against the currencies of faster-growing emerging markets, eroding the value of emerging nations' foreign investments. The United States' near brush with default earlier this month, as lawmakers refused to raise the country's borrowing ceiling until a deficit-cutting deal was reached, brought the potential pitfalls of holding U.S. debt into sharp relief.

Fin. Exp: 29.08.2011

Leading Greek banks announce merger, capital increase

Greece's second and third-largest lenders, Eurobank and Alpha Bank, announced on 29.08.2011 they would merge and proceed with a 3.9-billion-euro (\$5.7 billion) capital increase. Amid rising concern about Greek banks given the recession-hit economy and bank exposure to the sovereign debt of the government, the capital increase, led by a Qatari fund, will boost the merged lender's top flight capital ratio to 14 per cent. The merger will be completed by an exchange of five new Alpha Bank ordinary shares for every seven Eurobank EFG ordinary shares, giving current Alpha Bank shareholders 57.5 per cent of the merged lender and Eurobank shareholders 42.5 per cent. The merger and investment follows Eurobank failing the latest EU-wide bank stress tests last month, and a pledge by the bank to boost its capital. The deteriorating state of Greek public finances has cast a pall on the country's banking sector which has significant exposure to state debt.

New Age: 30.08.2011

India proposes to allow more private banks

India's central bank on August 29 outlined proposals to allow more private players in the banking sector to foster greater competition and widen the availability of banking services. India's state-run banks dominate the sector and inefficient practices and bloated workforces have brought calls for more private sector capital to reinvigorate the industry and expand its reach. New banks would be set up through a holding company while foreign shareholdings in the new banks would be limited to 49 percent for the first five years. Some micro-finance institutions, which lend money to India's poorest, are also reported to be interested in obtaining formal banking licences. New lenders would have to sell shares within two years and set up at least one in four branches in India's rural hinterland. Private players should be committed to achieving "financial inclusion", embracing swathes of rural India which currently have little access to banking services.

Fin.Exp:30.08.2011

Bangladesh bank Circulars during August, 2011

Date	Circular Number	Subject
01/08/11	FEOD Circular Letter No. 01	Payment of 0.50% freight brokerage charge to Shippers' Council of Bangladesh (SCB) by shipping companies/shipping agents
02/08/11	DFIM Circular No. 08	Regarding submission of top-10 defaulter statement
07/08/11	FEPD Circular No. 14	Cash incentive against export of leather goods for financial year 2011-2012
08/08/11	FEOD Circular No. 03	Regarding publish/cancel of specimen signature
14/08/11	FEPD Circular No. 16	Export subsidy against export of ship
16/08/11	DOS Circular Letter No. 13	Payment of salary for the month of August/2011 to all non-gazetted employees working in government, non-government, autonomous bodies and also to non-commissioned officers & employees of armed forces as well as payment of pension money for August/2011 to all retired government service holders on 23rd August/2011 on the occasion of Eid-ul-Fitr
21/08/11	DFIM Circular Letter No. 14	Payment of salary for the month of August/2011 to all non-gazetted employees working in government, non-government, autonomous bodies and also to non-commissioned officers & employees of armed forces as well as payment of pension money for August/2011 to all retired government service holders on 23rd August/2011 on the occasion of Eid-ul-Fitr
25/08/11	DOS Circular Letter No. 14	Authorised dealer (AD) branches of banks in ports to remain open on government holiday

Source: BB website

Information on Economy

	Amount	Previous year's/ month's Position
1. Foreign Trade:	Million US\$	Million US\$
a. Exports (2009-10)	16204.70	16204.70
b. Exports (June-2011)	2386.00	2295.10
c. Imports (2009-10)	23738.00	23738.00
d. Imports (June-2011)	2910.30	3291.80
2. Workers' Remittance (June -2011)	1038.91	998.42
3. Inflation: point to point (June-2011)	10.17	10.20

Export = FOB Value, Import = CFR Value
Economic Trends: July 2011

Banking Sector and Economic Information:

	Amount (TK in Cr.)	
	April - 2011	March - 2011
1. Bank Deposit (excluding inter bank)	391603.60	386802.50
2. Bank Credit (excluding inter bank)	407151.50	400347.30
3. Money Supply		
a. Currency Outside Banks	52354.00	51804.60
b. Demand Deposit	46001.10	48006.80
c. Deposit with BB other than DMBs	189.40	192.20
d. Narrow Money (a+b+c)	98544.50	100003.60
e. Time Deposit	322917.00	316927.50
02. Broad money (d+e)	421461.50	416931.10
4. Excess Reserve (Liquidity)	9378.20	8468.30
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	7.06	6.81
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	12.02	11.95
7. Ratio of DMBs Credit to Deposits (%)	103.97	103.50
8. DMBs Total Assets/Liabilities	1060515.00	1043110.60
9. F.E. Reserve (million \$US)	11316.40	10730.60
10. Cash Base of the Economy	90174.50	88555.90

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits +Deposit with Bangladesh Bank
- **Broad Money (M2)** = M1 + Time Deposit
- **DMBs** = Deposit Money Banks
- **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank
- Monthly Economic Trends: July 2011
- (p)= Provisional

Academic Activities in August - 2011:

- I. Half day workshop on “**Credit Administration: Requirement of Disbursement**” was inaugurated on August 14, 2011 at IFIC Bank Academy at Chamber Building 8th floor., 122-124, Motijheel C/A., Dhaka. Mr. Wakar Hasan, SEVP & Head of CRM of the bank was present on the occasion and delivered his inaugural speech before the participants. A total number of 27 Executives and Officers from different Branches of the bank attended the workshop. It may be mentioned here that it was the 27th programme of IFIC Bank Academy in the year 2011.

Readers please: When did the Bangladesh Electronic Funds Transfer Network (BEFTN) launch in our Country?

Match our answer with yours: Knowledge Update: 151

Answer: The minimum statutory capital requirement for the banks from July 01, 2011 is Tk.400.00 Crore.

We can be reached at: tnr@ificbankbd.com

Supervisory Executive

Ms. Zaitun Sayef, DMD (Risk Management)

Team Members

Mr. A. K. Mojibur Rahman, FAVP

Mr. Jayanta Sutradhar, OG – I

Ms. Barni Saha, OG – I

Revisiting Basics

Financial Ratios

Financial ratios are useful indicators of a firm's performance and financial situation. Most ratios can be calculated from information provided by the financial statements. Financial ratios can be used to analyze trends and to compare the firm's financials to those of other firms. For banker's perspective, ratio analysis can predict future bankruptcy of borrower.

Financial ratios can be classified according to the information they provide. The following types of ratios are frequently used:

- Liquidity Ratios
- Asset Turnover Ratios
- Financial Leverage Ratios
- Profitability Ratios
- Dividend Policy Ratios

Importance of Ratio Analysis

1. To measure general efficiency
2. To measure financial solvency
3. Forecasting and Planning
4. To facilitate decision making
5. Aid in corrective action
6. Aid in intra-firm comparison

Liquidity Ratios

Liquidity ratios provide information about a firm's ability to meet its short-term financial obligations. They are of particular interest to those extending short-term credit to the firm. Two frequently used liquidity ratios are the current ratio (or working capital ratio) and the quick ratio.

The current ratio is the ratio of current assets to current liabilities:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The current ratio is sometimes referred to as the **working capital ratio**. Working capital is current assets minus current liabilities. The current ratio is a more dependable indicator of liquidity than working capital.

An ideal current ratio is from 1.5 to 2.0. A very high current ratio is also not desirable since it means less efficient use of funds. This is because a high current ratio means excessive dependence on long-term sources of raising funds. Long-term liabilities are costlier than current liabilities and therefore, this will result in considerably lowering down the profitability of the concern.

It is to be noted that the mere fact that current ratio is quite high does not mean that the company will be in a position to meet adequately its short-term liabilities. In fact the current ratio should be seen in relation to the component of current assets and their liquidity. If a large portion of the current assets

comprise obsolete stocks or debtors outstanding for long time, the company may fail even if the current ratio is higher than 2.

Short-term creditors prefer a high current ratio since it reduces their risk.

On the other hand, shareholders may prefer a lower current ratio so that more of the firm's assets are working to grow the business. Typical values for the current ratio vary by firm and industry. For example, firms in cyclical industries may maintain a higher current ratio in order to remain solvent during downturns.

One drawback of the current ratio is that inventory may include many items that are difficult to liquidate quickly and that have uncertain liquidation values. The quick ratio is an alternative measure of liquidity that does not include in the current assets. The quick ratio is defined as follows:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

The current assets used in the quick ratio are cash, accounts receivable and notes receivable. These assets essentially are current assets less inventory. The quick ratio often is referred to as the acid test.

Finally, the cash ratio is the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio is defined as follows:

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Marketable Securities}}{\text{Current Liabilities}}$$

The cash ratio is an indication of the firm's ability to pay off its current liabilities if for some reason immediate payment were demanded.

(To be continued.....)