



**IFIC BANK LIMITED  
TRAINING & RESEARCH DIVISION  
HEAD OFFICE, DHAKA**

## **01. BB eases rules for advance payment against imports**

The central bank has relaxed the foreign exchange regulations relating to advance payment against imports, particularly by exporters. Under the amended regulations, a local exporting firm will be allowed to send a maximum of US\$ 10,000 instead of \$5,000 without any bank guarantee against a bonafide business purpose using their own Exporter's Retention Quota (ERQ). The central bank issued a circular in this connection on 31.08.09 and asked the commercial banks to follow the new instruction relating to advance payment against imports properly. The BGMEA chief said the amended regulations will help to reduce both time and cost of export. Currently, merchandise exporters are entitled to a foreign exchange retention quota of a certain portion of repatriated FOB (free on board) of their export. Foreign exchange out of the retention quota may be maintained in foreign currency accounts with the concerned commercial banks in US dollar, Pound Sterling, Euro or Japanese Yen upon realization of the export proceeds.

**The Financial Express: 01.09.09**

## **02. Sharecroppers to get collateral-free loans**

Sharecroppers will receive collateral-free loans for the first time as the central bank has taken up a Tk 5.0 billion special refinancing scheme with a leading non-governmental organization (NGO). The Bangladesh Bank signed an agreement with BRAC on 02.09.09, in this connection to provide 300,000 sharecroppers with such loan across the country. Of the fund, Tk 4.50 billion will be given as crop loans and Tk 500 million will be available for the purpose of farming equipment. Under the deal, the BRAC will borrow fund from the central bank under the refinancing scheme at 5.0 per cent interest and distribute collateral-free loans to sharecroppers at 10 per cent.

**The Financial Express: 03.09.09**

## **03. Deal Signed with WB for \$ 130 m loan to expand solar power system**

Bangladesh will receive a \$130 million credit from World Bank under a deal signed on 02.09.09 to finance expansion of solar power system in rural areas and use of energy-saving lamps aiming to reduce consumption of electricity. The government will utilize the fund for installation of 300,000 solar home systems (SHS) in the remote areas and supporting renewable energy based mini-grid and promoting solar water pump for irrigation. In addition, the money will be spent on purchase and distribution of 10 million compact fluorescent lamps (CFLs) in exchange for incandescent lamps in densely populated areas.

**The Financial Express: 03.09.09**

#### **04. Bangladesh faces new job burden as industrial sector faces gloom**

Bangladesh is expected to employ only 0.4 million new workers this fiscal as the country's industrial sector faces uncertainty amid one of the worst global recessions in modern history, said the International Labour Organisation (ILO). The bulk of workers would be absorbed in agriculture and service sectors, but the ILO report said, "The concern is a large part of this newly absorbed labour force in the agriculture sector would work at less than optimal level, increasing underemployment in the field." Bangladesh has a total labour force topping 51 million and the agriculture sector continues to be the biggest employer. Even though the share of the farm sector in terms of Gross Domestic Product has waned over the years, agriculture absorbed some 24.1 million workers in 2008 financial year, according to estimates by local think tank Centre for Policy Dialogue. Of the labour force, around 7.6 million serve the industrial sector while another 19.5 million are working in the services sector. **The Financial Express: 04.09.09**

#### **05. Remittance hits new monthly high**

Bangladeshis working abroad remitted US\$ 937 million in August this year --- the highest monthly inflow in history thanks largely to the forthcoming Eid-ul Fitr festival, officials said. The remittance amount in August is a new record after June," a senior official of the Bangladesh Bank told, adding that \$919.10 million was remitted in the last month of the previous fiscal year. The August figure is up by \$52.53 million from July, according to the central bank statistics released on 03.09.09. BB officials said the record rise in remittance is due to the ensuing Eid-ul Fitr, the biggest religious festival for the Muslims, when traditionally migrant workers send home increased amount of money. The August total took the remittance figure in the first two months of the current fiscal to \$1.823 billion, registering an 18.19 per cent growth over the corresponding period of the previous fiscal. **The Financial Express: 04.09.09**

#### **06. BB mulling introduction of broader M3**

Operations of MFIs, NBFIs to be taken into money supply account Bangladesh Bank is planning to estimate the broader M3 money supply that will take into account the deposits and financial transactions of microfinance institutions (MFI) and non-bank financial institutions (NBFI). The existing M2 broad money supply considers the currency in circulation and deposit in banks to understand the impact of money transaction on inflation. Inflation of non-food products is relatively high in rural area and food inflation is relatively high in urban areas, he said. The main problem of calculating M3 is getting authentic data from MFIs, he added. M2 broad money in fiscal 2008-09 increased by 19.17 per cent or Tk 477 billion to Tk 2,965 billion. Out of the total amount, currency in circulation at the end of June was Tk 360 billion and deposit Tk 2,605 billion. M1 narrow money stood at Tk 664 billion at the end of June, 2009 with currency outside banks stood at Tk 360.49 billion, deposits of financial institutions with Bangladesh Bank at Tk 1.41 billion and demand deposits with deposit money banks at Tk 302.36 billion.

**The Financial Express: 05.09.09**

#### **07. Shipbuilding in worst crisis**

The country's nascent ocean-going shipbuilding industry has been struck down by the worst crisis in history after orders worth hundreds of millions of dollars were either cancelled or put "on hold" due to the global recession. Ananda Shipbuilders and Slipways is the main victim, as bankruptcy of its major clients has threatened its long-term future and caused massive financial strain for a top private bank. The sudden crisis this week forced Abdullahel Bari, the owner of the company, to seek an immediate bailout package from the government, as it needs "desperate money" to continue work on the few remaining orders. Bari, a Scotland-trained naval architect, told that out of his total export orders of \$400 million, four ships valued at \$42 million dollars have been cancelled and orders of another \$317 million have been put on hold. It's the bloody recession on earth that is responsible for the debacle," Bari said. "Most of our clients have become bankrupt. The bank paid Tk1.12 billion to a foreign bank guarantor and is now piling up pressure on Bari to pay back the money. The main blow came when Tom Warden, another top German company, froze its \$169 million orders to build 10 ships with 7500-dead weight tonnage capacity. According to insiders, it was the single biggest export order in the country's history. **The Financial Express: 06.09.09**

## **08. DSE won't allow non-govt PLCs for direct listing**

Dhaka Stock Exchange (DSE) will not allow any non-government public limited company (PLC) to go under the direct listing regulations. The recent bitter experience regarding the regulations that dismayed the investors and the market has prompted the DSE to take such a decision. Analysts say fund raised by the company under the regulations does not bring any good for the company or the country's economy other than benefiting the shareholders. "The existing system misguides the investors who get their fingers burnt in the end," said DSE president Rakibur Rahman after bourse's board meeting on 08.09.09. Under the existing system the investors remain in dark about the company's financial strength, causing confusion, Rahman said. The decision will be sent to the Securities and Exchange Commission (SEC) for approval. Since 2006, the year when the direct listing regulation was introduced, eight companies, which took the advantage, experienced abnormal share-price fluctuation on their debut day. Of the eight companies, five are state-owned companies and three private companies.

**The Financial Express: 09.09.09**

## **09. Govt. against simultaneous running of general, Islamic banking**

The government is set to overturn the existing provision that allows simultaneous operation of conventional and Islamic banking by financial institutions, Finance Minister AMA Muhith said on 08.09.09. "We are going to abandon the provision that allows banks to run both conventional and Islamic banking at the same time," Mr. Muhith said during his meeting with a delegation of Bangladesh Insurance Association (BIA), led by its chairman BIA Chairman AKM Rafiqul Islam, at the farmer's Sher-e-Banglanagar office. The conventional banks, especially that are operating Islamic banking with prior permission, will be given some time for readjustment after the amendment comes into force, he observed. The finance minister's observation came in response to a BIA's appeal for amending the provision of the proposed insurance act so that any insur can operate both conventional and Islamic insurance business simultaneously. Mr. Muhith was also critical of yet another proposal for establishing an 'insurance ombudsman' Citing the existing Tax Ombudsman, the finance minister said: "The output of the tax ombudsman is zero, but its cost is enormous,"

**The Financial Express: 09.09.09**

## **10. Govt. makes major changes in state-owned banks' boards**

The government appointed new chairmen and twelve directors to the boards of three state-owned commercial banks-Sonali Bank Ltd, Agrani Bank Ltd and Janata Bank Ltd, sources in the finance ministry said. They have been appointed for a period of three years, according to separate office orders issued by the Ministry of Finance (MoF). The orders were made available with the banks concerned by 6 pm on 09.09.09. Another 30 to 40 directors will soon be appointed to the boards of the state-owned commercial banks, specialized banks and financial institutions, officials in the finance ministry said. Meanwhile, the appointments of the incumbent three chairmen and 14 directors have been cancelled through the same orders of the ministry. Professor Abul Barakat, General Secretary, Bangladesh Economic Association, Professor Khonodker Bazlul Hoq, President, Dhaka University Teachers' Association and Kazi Baharul Islam, former Managing Director, Rupali Bank Ltd have been appointed as Chairmen for Janata, Agrani and Sonali Bank Ltd respectively. According to the orders, six directors have been appointed to the board of the Sonali Bank Ltd. They are-Kashem Humayun, Managing Director, The Daily Sangbad, Md Lutfor Rahman Khan, President, Madaripur Chamber of Commerce and Industry, KM Jamal Rumel, former leader, BGMEA, Saimun Sarwar Komol, businessman, Advocate Sattendra Chandra Bhakta and Jannat Ara Hanri, Bangladesh Awami League Leader in Sirajgong. Three directors appointed to the board of the Agrani Bank Ltd. They are-Shakhor Datta, general secretary, Monisingh-Memorial Trust, Barrister Zakir Ahmed, Chairman, In depth News Agency and Shahazada Mohiuddin. The Janata Bank Ltd got three new directors. They are-Nagibur Rahman, Nagibul Islam Dipu and Baloram Podder. Earlier, Prime Minister Sheikh Hasina approved the names of new bank chairmen and the directors which were duly vetted by the Bangladesh Bank. About another 30 to 40 more new bank directors will be appointed to the government-owned commercial banks, specialized banks and financial institutions by September.

**The Financial Express: 10.09.09**

### **11. Record rise in import of scrap-vessels**

Import of scrap-ships doubled in the last fiscal year due to sharp fall in its prices in the international market boosting the supply of raw materials to the country's steel sector. Local importers purchased 2.2 million tonnes of old ships mostly big sized in 2008-09 fiscal against 0.97 million tonnes over the same period in 2007-08, according to statistics. "We've imported ships of over 2.2 million tonnes last year. This is a record in the history of Bangladesh's ship-breaking industry," Enamul Hoque, a senior consultant of Bangladesh Ship Breakers Association (BSBA) told. The number of ships imported during the last fiscal year was 193 against 120 in 2007-08, he said. Currently, an old ship costs around US\$300 a tonne in the international market, which was \$750 before the recession hit the globe in 2008. Mr Enamul said local importers have added 19 more shipyards taking the number to 69 to cope with the increased number of old ships being imported in the country. India breaks around 1.5 million tonnes a year followed by China 1.3 million tonnes, Pakistan 1.0 million tonnes and Turkey around 0.60 million tonnes. The country's ship breakers offer at least 20 to 25 per cent more price than their competitors in India and Pakistan, making Bangladesh the preferred choice for the 'burial ground' of a large and medium sized ships.

The Financial Express: 13.09.09

### **12. BB ups NOP limits for banks**

The central bank has increased the net open position (NOP) limits of commercial banks for holding foreign exchange in order to keep the inter-bank foreign exchange market stable. The Bangladesh Bank (BB) re-fixed the NOP limit of 45 commercial banks out of 48 to US\$517 million Sunday from \$432 million earlier, officials said. On May 7, the central bank re-fixed the NOP limit of all commercial banks to US\$432 million from \$190 million. "The new rules will help reduce selling pressure of foreign exchange," a senior treasury official of a private commercial bank told, adding that the rules will also help the banks to settle large amount foreign exchange transactions with their own funds. The central bank continues its intervention in the inter-bank foreign exchange market through buying the US currency from the commercial banks directly aiming to keep stable the market. The BB purchased \$1.202 billion from commercial banks until September 10 last as part of the move. In fiscal 2008-09, the BB bought a total of \$1.48 billion directly from the commercial banks against only \$202.50 million of the previous fiscal, according to the central bank statistics.

The Financial Express: 14.09.09

### **13. Govt slaps scanning fee for export-import containers**

Exporters and importers will have to bear the cost of inspection of their goods at the Chittagong seaport after the authorities slapped a fee of US\$5.0 on scanning every container. The fees would come into effect in the current month after finance minister AMA Muhith approved a National Board of Revenue (NBR) proposal last week, an official said on 14.09.09. The NBR said the scanning charges have been imposed to raise the maintenance and operational cost of the scanners the authorities have installed early this month. The board has set up a total of four scanners and 10 radiation detection equipment recently amid mounting pressures from the western countries in the wake of global fight against terrorism. The NBR expects to raise Tk 350 million annually by scanning more than 1.0 million containers being handled by the port every year. Chittagong is the country's largest sea-port, accounting for some \$37 billion worth of foreign trade in the last fiscal year. Container handling at the port has been growing at around 15 per cent a year since 2002. Board officials said installation of scanners has removed a key obstacle to the country's foreign trade. "Exporters have long been demanding scanners to check containers before shipment, which is a pre-condition to export in the US market. They don't mind if they have to bear the scanning cost," another official said.

The Financial Express: 15.09.09

#### **14. Decision on stimulus package for apparel sector likely by Oct.-2009**

The government is likely to announce a stimulus package for the apparel sector in end-October to help the latter weather the impact of the global economic meltdown. Finance Minister AMA Muhith briefing the newsmen on 16.08.09 in Dhaka said the government would give its decision on the disbursement of stimulus package within a month after examining the RMG sector's export situation. "We've formed a committee to determine the real effect of the meltdown on the RMG sector. The committee will recommend the necessary support to it. It would complete its work within a month. Commerce minister Faruq Khan said: "We are not satisfied over the 11 per cent export growth last financial year. It needs to go further up. So, some policy and infrastructural supports to the manufacturing industries would have to be augmented." The government has allocated Tk 50 billion in the current national budget to support the country's recession-hit sectors, especially the export-oriented industries.

**The Financial Express: 16.09.09**

#### **15 Delayed impact of global recession, energy crisis slow down investment**

Investment in the country showed a dismal picture in January-August period as global recession and shortage of electricity and gas discouraged entrepreneurs in taking any decision. Registration of domestic investment proposals dropped significantly to Tk 126 billion involving 971 projects from Tk 154 billion on 1104 projects in January-August of the last year. Foreign direct investment (FDI) also dropped by 9.0 per cent to Tk 42.6 billion from Tk 46.9 billion in the last year's period, according to Board of Investment (BoI) data. A delayed impact of the global recession has started hurting the economy and it will take some time to recover, said BoI executive chairman Dr S A Samad on 17.08.09 at the launching programme of the World Investment Report 2009. "FDI will fall if domestic investment drops as foreign investors do not take risk," he said. Shortage of power, gas, other utility services and lands are the primary concern of the investors as they hinder the development process in the country, he explained

**The Financial Express: 18.09.09**

#### **16. Global economy will remain on shaky ground, says ICC**

The global economy is still on shaky ground and despite budding signs of recovery, evidence is not strong enough to conclude that the current recession is waning, according to a recently released International Chamber of Commerce (ICC) report on trade finance. Some 86 per cent of survey respondents attested that they had experienced no relief in the requirements under the international capital adequacy regime known as Basel II, said a press release. Described in the report as "one of the most worrisome results", increased capital costs continue to constrain trade finance volumes, particularly in developing economies. Recommendations on the issue include exempting trade finance products from the one-year maturity floor applied to lending facilities in most countries, and allowing key risk attributes to be determined on the basis of industry benchmarks reflecting the low risk nature of trade finance. The ICC report also points to the issue of affordability of trade finance. A large majority of survey respondents acknowledged that the G20 decision in April to support US\$250 billion worth of trade over a two-year period was a major step towards absorbing the shocks to trade resulting from the economic crisis.

**The Financial Express: 18.09.09**

#### **17. Knit exporters eye African market**

The country's knitwear manufacturers are going to explore potential overseas markets in Africa for selling their products as a delegation is expected to visit South Africa and Botswana early next month to search for buyers there, apparel manufacturers said on 19.09.09. The market in South Africa, a mineral-rich country, is very prospective for Bangladesh as their garment manufacturers have been switching over to heavy industries due to rising labour costs following their economic boom. The country's garment export to African markets is so far very insignificant. The Export Promotion Bureau data showed that Bangladesh exported woven and knit garments worth US\$42.51 million to South Africa and \$280,000 to the Botswana last financial year 2009. China is the major apparel supplier to the South African markets along with a small share of Mauritius and India. Bangladesh's major garment export market is United States of America (USA) and European countries with nearly 26 per cent and 60 per cent of the country's total RMG export there. In the last financial year, Bangladesh made shipment of US\$3.69 billion worth of garment products to

the US market alone out of its total \$12.35 billion RMG export to different destinations in the globe.  
**The Financial Express: 20.09.09**

### **18. BB warns banks against charging high interest rate**

Bangladesh Bank on 27.09.09 warned certain commercial banks of confusing borrowers claiming higher interest rate for productive sector (SME) loan. Explaining, an official said the banks are pushing the SME loan to consumer loan and thus charging higher interest. Deputy Governor Nazrul Huda told a post-meeting press briefing that the banks are creating confusion among the SME borrowers by charging higher interest rates categorizing their loan as consumer borrowing. He said the meeting also asked the banks to augment SME loans to help achieve GDP target for the current fiscal year, as SME loans still unsatisfactory in the country at 21 percent of the total bank loans. SME loans grew by only 2 percent during last two years. "If the share of total bank loans can be raised to 50 percent, the appearance of the country will be changed," he said, urging banks to utilize the Bangladesh Bank refinance facility, particularly for the women entrepreneurs. Of the 30 private commercial banks, only seven are likely to comply and five are close to the compliance, but the rest 18 would not be able to comply. Nazrul Huda said the banking sector would have to increase their capital by 2,300 crore to comply with the capital adequacy of Tk 22,000 crore. He said the meeting also decided to undertake close monitoring activities from its head office and regional offices to achieve the agriculture credit of around Tk 12,000 crore while the commercial banks would also deploy their own monitoring in this regard. **The Financial Express: 28.09.09**

### **19. Govt raises target of borrowings from savings tools to Tk. 32.76b**

The government has significantly raised the target of borrowing from savings instruments to Tk 32.76 billion for the current fiscal year to finance its big budget deficit. The raised borrowing target is up by nearly Tk 4.90 billion or 17.59 per cent from that of the last fiscal, official sources said. The total budget deficit in the fiscal year 2009-10 has been estimated at Tk 343.58 billion, which is 5.0 percent of the Gross Domestic Product (GDP). About 2.0 per cent of the deficit will be met from foreign aid and 3.0 per cent from internal resources, official sources said. According to officials, the government has fixed the target of paying interest against the borrowings from savings tools at Tk 71.53 billion, up from the last fiscal's target of Tk 60.86 billion. But the government's payment of interest on account of savings instruments eventually hit Tk 70.62 billion at the end of FY 2008-09, official figures showed. On the other hand, the government has also fixed the target of selling savings instruments to the tune of Tk 167.94 billion for the current fiscal. The government borrowed a total of Tk 36.33 billion through its existing savings certificates and investment bonds last fiscal, they mentioned. Of the total target, the government already borrowed a net amount of Tk 9.14 billion in July last. The government also paid Tk 3.69 billion in interest on account of servicing such internal debt for the same month.

**The Financial Express: 28.09.09**

### **20. Bangladesh to emerge as "leader in shipbuilding sector"**

The country's emerging shipbuilding industry is capable to fare well in meeting the demand for sea vessels as more than 50 per cent of the existing ships will have to be replaced due to aging, said the Danish Ambassador in Dhaka Tuesday. Ambassador Einar H Jensen said 25 per cent of the aging ships that would be gradually replaced are small and medium size vessels and Bangladesh could emerge as a leader in Asia in this sector because of lower costs. "There is no doubt that ships built in Bangladesh are of good quality," he said while addressing the inaugural session of a national conference on ship building as special guest at Hotel Sonargaon on 29.09.09. The conference, which was organized by Bangladesh Foreign Trade Institute (BFTI) was also addressed by head of European Commission Delegates Stefan Frowein as special guest. Among others, President of Ship Builders Association KM Mahmood ur Rahman, BFTI head MA Taslim and Dr Abdullahel Bari of Ananda Group and Sakhawat Hossain of Western Marine Shipyard spoke. Prof Khabirul Haque Chowdhury, head of Naval Architecture and Marine Engineering Department of Bangladesh University of Engineering and Technology (BUET) presented the keynote paper. In the keynote paper, the BUET Prof claimed that the country has the capacity to be recognised as a ship building nation due to some advantages including a good number of shipyards, training and research facilities, cheap labour force with experience

of international market. "Bangladesh can be one of the top 10 ship building countries of the world," he said. This market size is US\$ 400 billion which is likely to increase with the recovery of global slowdown.

The Financial Express: 30.09.09

## 21. Bangladesh Bank Circular during September, 2009

<u>Circular Number</u>	<u>Date</u>	<u>Subject</u>
FE Circular No. 14	07/09/2009	Export Subsidy/Cash Incentive for FY 2009-2010
FE Circular No. 15	08/09/2009	Release of Export Subsidy/Cash Incentive at 70% before Auditing
FE Circular No. 16	30/09/2009	New Schedules /Statements for External Sector Reporting

Bangladesh Bank Website: September, 2009

## 22. Information on Economy

	Amount	Previous month's Position
<b>1. Foreign Trade:</b>	<b>Million US\$</b>	<b>Million US\$</b>
<b>a. Exports (2007-08)</b>	<b>14110.8</b>	-
b. Exports (May -2009)	1322.83	1176.3
<b>c. Imports (2007-08)</b>	<b>21629.0</b>	-
d. Imports (May -2009)	1566	1777.3
<b>2. Workers' Remittance</b> (May-2009)	895.30	840.99
<b>3. Inflation:</b> point to point (May-2009)	5.39	5.36

Export= f O B Value, Import = C & F Value

Economic Trends: July: 2009

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- ❖ **Credit Rating status of IFIC Bank is "ST-2" in the Short Term and "A" in the long run as on 31.12.2008. CRISL (Credit Rating Information and Services Limited) has conducted the credit rating for this year.**

### For Readers:

- 🚩 **Which system is followed in our country for fixing up foreign exchange rate, & when did it start?**

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## 23. Banking Sector and Economic Information

	Amount (TK in Cr.)	Amount (TK in Cr.)
	June - 2009	May - 2009
<b>1. Bank Deposit</b> (excluding inter bank)	278680.4	268355.4
<b>2. Bank Credit</b> (excluding inter bank)	275025.1	272386.7
<b>3. Money Supply</b>		
a) Currency Outside Banks	36049.2	35469.8
b) Demand Deposit	30236.5	27156.2
c) Deposit with BB other than DMBs	141.2	99.9
<b>d) Narrow Money (a+b+c)</b>	<b>66426.9</b>	<b>62725.9</b>
e) Time Deposit	230073.0	223790.0
<b>f) Broad money (d+e)</b>	<b>296499.9</b>	<b>286516.1</b>
<b>4. Excess Reserve</b> (Liquidity)	<b>15843.9</b>	<b>8051</b>
<b>5.</b> Weighted average rate of Deposits of Schedule Banks(Quarterly)	7.01	7.52
<b>6.</b> Weighted average rate of Advances of Schedule Banks(Quarterly)	11.94	12.33
<b>7. Ratio of DMBs Credit to Deposits (%)</b>	<b>98.69</b>	<b>101.50</b>
<b>8. DMBs Total Assets/Liabilities</b>	<b>704068.7</b>	<b>677808.6</b>
<b>9. F.E. Reserve (million \$US )</b>	<b>7470.9</b>	<b>6562.9</b>
<b>10. Cash Base of the Economy</b>	<b>69424.6</b>	<b>60191.2</b>

- **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: 2009

## 24. Performance of IFIC Bank as on September: 2009

(Tk in Crore)

Area of Business	September, 2009	September, 2008
<b>Deposit</b>	<b>4575.70</b>	<b>2860.78</b>
<b>Loans and Advance</b>	<b>3324.69</b>	<b>2508.55</b>
<b>Foreign Exchange</b>	<b>8513.82</b>	<b>7994.31</b>

Finance and Accounts Division

## **25. Academic Activities in August, 2009**

**(I) Seminar on "Prevention of Money Laundering & Combating Financing of Terrorism":** IFIC Bank conducted a day long Seminar on "Prevention of Money Laundering & Combating Financing of Terrorism" held on September 05, 2009 at its Academy. A total number of 70 Officials attended in the Seminar. Mr. M. Mahfuzur Rahman, General Manager and Mr. Md. Abdur Rab, Asstt. Director, Anti-Money Laundering Department of Bangladesh Bank, Head Office, Dhaka were the main speakers in the seminar. Salient features of the Prevention of Money Laundering & Combating Financing of Terrorism and the course of action to be taken were discussed in the seminar. Mr. Md. Ataur Rahman Senior Vice President & Chief Anti-Money Laundering Compliance Officer of IFIC Bank Ltd. was present on the seminar and delivered his inaugural speech before the participants, It may be mentioned here that this was the 35<sup>th</sup> programme of IFIC Bank Academy in the year-2009.

### **Team Members**

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# REVISITING BASICS

## NPV- IRR

### **Net Present Value - NPV**

Net present value is the difference between the present value of cash inflows and the present value of cash outflows. NPV is used in capital budgeting to analyze the profitability of an investment or project. NPV analysis is sensitive to the reliability of future cash inflows that an investment or project will yield. NPV compares the value of a Taka today to the value of that same Taka in the future, taking inflation and returns into account. If the NPV of a prospective project is positive, it may be accepted. However, if NPV is negative, the project should probably be rejected because cash flows will also be negative incurring risk of management.

So **NPV** is an amount that expresses how much value an investment will result in. This is done by measuring all cash flows over time towards the current point in present time. If the **NPV method** results in a positive amount, the project may be undertaken. Although NPV measurement is widely used for making investment decisions, a **disadvantage of NPV** is that it does not account for flexibility / uncertainty after decision to go for the project.

### **Internal rate of return**

The **internal rate of return (IRR)** is a capital budgeting metric used by firms to decide whether they should make investments. It is also called discounted cash flow rate of return (**DCFROR**) or rate of return (**ROR**). It is an indicator of the **efficiency** or quality of an investment, as opposed to net present value (NPV), which indicates value or magnitude. The IRR is the annualized effective compounded return rate which can be earned on the invested capital, i.e., the yield on the investment. In other words, the internal rate of return for an investment is the discount rate that makes the net present value of the investment's income stream up to zero.

A project is a good investment proposition if its IRR is greater than the rate of return that could be earned by alternate investments of equal risk (investing in other projects, buying bonds, even putting the money in a bank account). Thus, the IRR should be compared to any alternate costs of capital including an appropriate risk premium. In general, if the IRR is greater than the project's cost of capital, or *hurdle rate*, the project will add value for the company. In the context of savings and loans the IRR is also called effective interest rate. As an investment decision tool, the calculated IRR should **not** be used to rate mutually exclusive projects, but only to decide whether a single project is worth investing in. In cases where one project has a higher initial investment than a second mutually exclusive project, the first project may have a lower IRR (expected return), but a higher NPV (increase in shareholders' wealth) and should thus be accepted over the second project (assuming no capital constraints). IRR assumes reinvestment of positive cash flows during the project at the same calculated IRR. When positive cash flows cannot be reinvested back into the project, IRR overstates returns. IRR is best used for projects with singular positive cash flows at the end of the project period.