

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX			MUMBAI	TOKYO	SINGAPORE	SHANGHAI	BUY TK	SELL TK	USD	EUR
▼ 1.55%	▼ 1.49%	Gold	Oil	▼ 0.97%	▼ 0.79%	▼ 1.29%	▼ 0.83%	83.95	84.95	90.39	108.40
4,549.11	8,455.40	\$1,646.50	\$54.23	39,888.96	22,426.19	3,117.52	2,987.93				
		(per ounce)	(per barrel)							GBP	CNY
										108.40	11.81
											12.41



# BUSINESS

DHAKA THURSDAY FEBRUARY 27, 2020, FALGUN 14, 1426 BS ● starbusiness@thedailystar.net

## Interest rate cap can blow up in BB's face

AKM ZAMIR UDDIN

This is not the first time that the central bank has engineered to impose a cap on interest rates on lending. It did something similar back in April 2009, just after Atiur Rahman assumed the role of governor of the banking watchdog.

Then, the Bangladesh Bank set a maximum 13 percent per cent interest rate on all major loan products such as term and working capital for medium and large industries, trade financing, home and agriculture sector. It also fixed the exchange

rate at Tk 69 for per dollar.

But the measures turned out to be glorious failures.

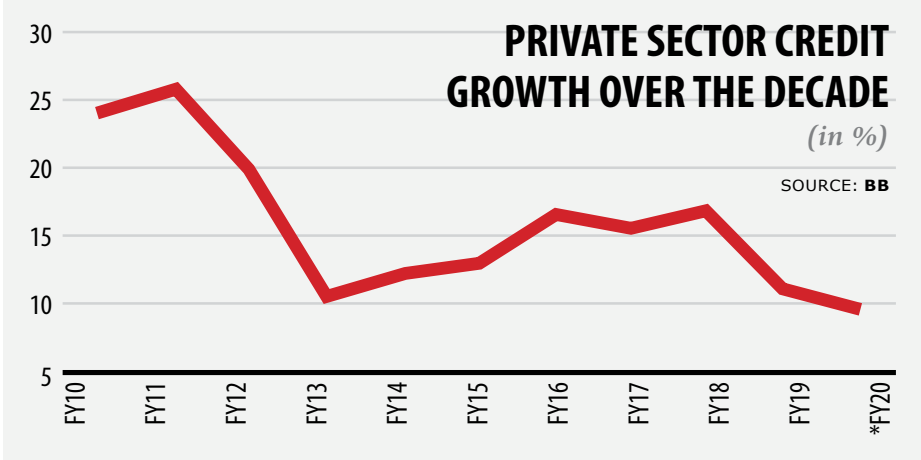
Between 2009 and 2010, a group of borrowers had taken a large amount of loans in the name industrial loans at the low interest rate and diverted the funds to the capital market and the real estate, said Ahsan H Mansur, executive director of the Policy Research Institute.

Private sector credit growth also saw a bubble during the period, which raced as high as 27 per cent in December 2010, up from 19.15 per cent a year earlier.

“Against the backdrop, banks faced a severe liquidity crunch. And the central bank was forced to take an expansionary monetary policy to inject money into the market in order to tackle the situation,” Mansur said.

The price of land also increased manifold between 2019 and 2011.

But the expansionary



monetary policy fuelled inflation, which went up to 8.14 per cent in November 2009, creating an extra pressure on people.

That is not all: a good number of people had failed to pay back the loans on the back of the stock market crash in 2011.

Many businesses that poured the fund in real estate also faced crisis in running their

enterprises as a result.

“The aftermath of the interest rate fixation finally hit defaulted loans as well. Delinquent loans hopped on an upward trend as many became defaulters,” said Mansur, also a former official of the International Monetary Fund.

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## Old interest rates on postal savings from Mar 17

STAR BUSINESS REPORT

The government yesterday walked back on its decision to slash the interest rates on ordinary and fixed deposits in Post Office Savings Bank, with the previous rates to return from next month.

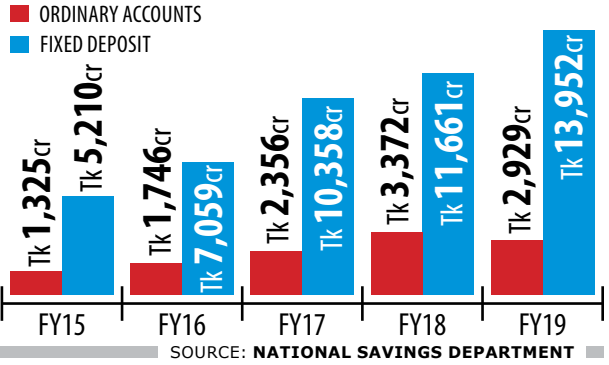
“The previous rates of interest will be applicable from March 17 when we complete the automation of post offices,” Finance Minister AHM Mustafa Kamal told reporters yesterday at his office in Dhaka.

The disclosure came two weeks after the finance ministry slashed the interest rates on the three-year tenure fixed deposit in postal savings banks to 6 per cent from 11.28 per cent -- a move that sparked outcry from various quarters.

Termed as Post Office Savings Bank, there are more than 50 lakh deposit accounts in this bank and marginal and low income people from rural and suburban areas mostly park their savings here, said officials of the Bangladesh Post Office earlier.

The finance ministry reduced the interest rate amid mad dash from a section of wealthy people to open accounts in postal savings bank to deposit money after the government tightened rules on investment in the high interest-bearing national savings certificates to prevent abuse of the benefit

### POSTAL SAVINGS



given by the state to pensioners and middle-income families, Kamal said yesterday.

The rules, which were stiffened last year, stipulated that savers would have to submit taxpayer identification number (TIN) to buy national savings certificates.

The instruments carry interest rates as high as 11.76 per cent, which is way higher than what banks offer.

As a result, fixed deposits in postal saving bank soared 66 per cent year-on-year to Tk 11,730 crore in the first half of the fiscal year, according to data from the BPO.

At the same time, investment in savings certificates sold by post offices plummeted 88 per cent to Tk 1,870 crore.

“When we saw all were running to post offices, we had to think of controlling the rush. And the interest rate cut was one of the tools,” Kamal said.

As the automation of post offices is underway and is likely to complete by March 17, Kamal said depositors in postal savings accounts will see the previous rates of interest.

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## ILFSL swindlers barred from travelling abroad by SC

STAR BUSINESS REPORT

The Supreme Court yesterday upheld a High Court order that banned 20 people, including much-talked Proshanta Kumar Halder, from leaving the country for allegedly embezzling Tk 3,000 crore from the International Leasing and Financial Services (ILFSL).

A three-member bench of the Appellate Division headed by Chief Justice Syed Mahmud Hossain passed the order after dismissing an appeal filed by two shareholder-directors of the non-bank financial institution challenging the HC order.

Halder, also known as PK Halder, a former managing director of NRB Global Bank and Reliance Finance, was involved in the embezzlement, according to media reports. But a central bank investigation put the figure at Tk 1,596 crore.

As per media reports in Canada, PK Halder is residing in Toronto. He is the director of a Canadian corporation P&L Hal Holding Inc. along with his brother Pritish

Kumar Halder and wife Susmita Saha since July 3, 2014, according to records in the North American country.

After the SC passed the order, the Bangladesh Bank's lawyer Tanjib-Ul Alam told reporters that it was possible for the government to bring back the embezzled money, which has reportedly been laundered to Canada, through mutual assistance cooperation treaty.

Ahsanul Karim, a lawyer for ILFSL, told The Daily Star that the passports of the people involved with the company would remain seized and Khondker Ibrahim Khaled can run the organisation as its chairman following the SC order.

ILFSL has scope to place its appeal before the HC to stay afloat, he added.

Attorney General Mahbubey Alam represented the state.

Following a petition filed by the two depositors, the HC on January 21 directed the central bank and all private banks to freeze the accounts of PK Halder, his five relatives, Bank Asia's former managing director Erfanudidn Ahmed and Halder's



PK Halder

cohort Uzalal Kumar Nondi for allegedly misappropriating the funds.

The HC ordered the government to seize the passports of 20 people, including PK Halder, his mother Lilaboti Halder, his

brother Pritish, his wife, cousins Amitav Adhikari and Avijit Adhikari, Ahmed and Nondi.

The HC bench of Justice Muhammad Khurshid Alam Sarkar also directed the authorities not to transfer any of their movable and immovable properties, including stock, cash money and cars to any persons or entities until the disposal of the case.

The bench appointed Khaled, a former deputy governor of the BB, as the independent director and chairman of ILFSL to run the company.

In an investigation, the central bank found that Tk 1,596 crore was transferred from ILFSL in violation of rules through 48 accounts of various organisations related to the directors and shareholders of the NBFIL, Md Shah Alam, an executive director of the BB, told the SC on Tuesday.

The Anti-Corruption Commission (ACC) filed a case against Halder on January 8 on charges of amassing assets worth Tk 275 crore.

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### New Dhaka Bank MD sets sight on quality growth

STAR BUSINESS REPORT

Emranul Huq has taken over the helm of Dhaka Bank with a goal to bring down bad loans, beef up corporate governance and widen the lender's footprint.

“I will work to have a strong capital base, clean books and quality business. We want growth with quality,” he told The Daily Star over telephone yesterday.

Huq assumed the twin roles of managing director and chief executive officer of Dhaka Bank on February 22 on a two-year term.

Prior to the new position, he was serving the bank as the additional managing director and chief business officer.

Huq succeeds Syed Mahbubur Rahman, who decamped to Mutual Trust Bank in November last year.

Dhaka Bank's default loan ratio is less than 5 per cent of total outstanding loans, comfortably below than the banking sector's average of 10 per cent.

But Huq, who started his career with the Bank of Credit & Commerce International in Dhaka as management trainee in 1986, has set his sights on bringing it down to 3 per cent.

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## Coronavirus fears grip Dhaka bourse too

AHSAN HABIB

All over the globe stocks have been on slide in recent days as economic costs of the coronavirus pandemic have started to spook investors. The situation is no different in Bangladesh.

Most of the companies in Bangladesh bring in their raw materials from China, which has been on lockdown for a month now for the outbreak of the lethal pneumonia-like virus that has already 3,000 lives.

This has halted production, which in turn will affect their earnings in the upcoming quarters, said market analysts.

Yesterday, DSEX, the benchmark index of the Dhaka Stock Exchange, dropped 72.1 points, or 1.6 per cent, to 4,549.11. In the past five days, the index plunged 208.89 points, or 4.4 per cent.

On Tuesday, the Dow shed almost 900 points, falling more than 3 per cent to close at 27,081. The S&P 500 also closed more than 3 per cent lower, while the Nasdaq sank 2.8 per cent.

In the UK, the FTSE 100 fell almost 2 per cent to a 12-month low of 7,018, while Japan's Nikkei 225 index fell 3.3 per cent.

Sponsors of a number of listed

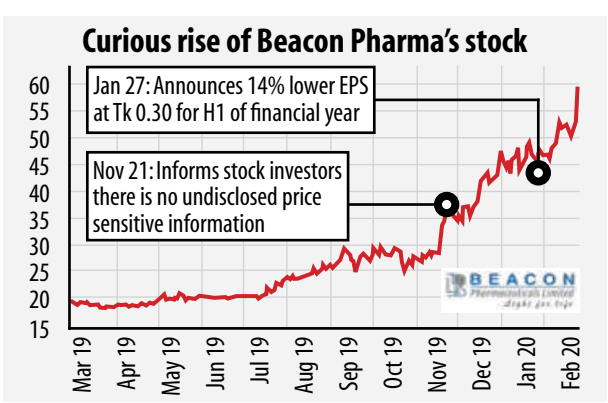
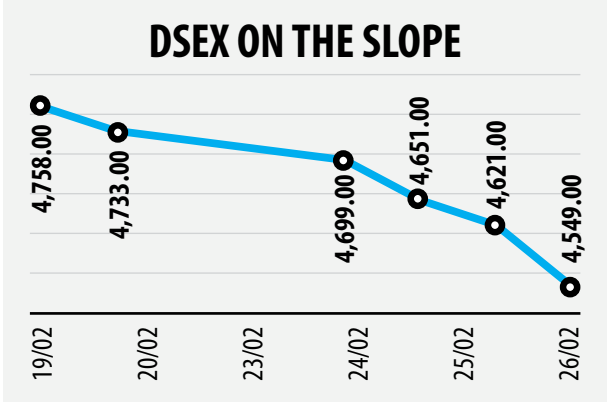
companies said their production is hampered due to the lack of raw materials. So, they are on the hunt for new sources.

The impact of coronavirus will be felt deeply in the days ahead as all rod makers' raw materials come from China, said RSRM Director Marzanur Rahman.

A sponsor director of a listed textile company echoed the same, saying the textile and garment sector would be impacted mostly due to coronavirus.

“And our productions have already been affected,” he said preferring anonymity.

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## It's PPP for Bangabandhu industrial city's CETP

STAR BUSINESS REPORT

The government is set to build a central effluent treatment plant under a public private partnership for proper waste management inside the Bangabandhu Sheikh Mujib Industrial City in Mirsarai, said Finance Minister AHM Mustafa Kamal said yesterday.

The plant will cost the government about Tk 185 crore, said an official of the cabinet committee requesting anonymity.

The government will bear 40 per cent of the cost of the industrial park, which currently comprises Mirsarai,

Feni and Sitakunda economic zones. The rest will come from the private sector, he said.

Industries inside the 30,000-acre city will not need to set up individual treatment plants, Kamal said during a press briefing after a meeting of the cabinet committee on economic affairs. The CETP project got the nod at the meeting.

The industrial city will be the country's future investment capital, where about 15 lakh people will get direct employment and almost 30 lakh indirectly, he said.

A township will be grown surrounding the city, the impact of

which will be felt across the country thanks to a potential rise in economic activities.

“The industrial park will show the world that Bangladesh can build big and heavy industries,” Kamal said.

The city is being built as part of the government's plan to put 100 economic zones in place for foreign and domestic entrepreneurs by 2030 and create one crore jobs.

The Bangladesh Economic Zones Authority expects \$20 billion to \$25 billion to flow in to the industrial city considering the proposals it has been receiving for the last two years.

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Md Ashadul Islam, senior secretary of the finance division, addresses the keynote session of the ‘Action-framing conference: transforming financial market for small businesses’, at the Radisson hotel in Dhaka yesterday. The event was organised as part of the ‘Business Finance for the Poor in Bangladesh’ programme.

## Policy reforms needed for full financial inclusion

Say industry experts at BFP-B event

STAR BUSINESS REPORT

Policies and regulations for both banks and non-banks need to be improved to accelerate financial inclusion as it will lead to private sector investment in the industry and enhance the credit worthiness of small businesses, according to experts.

“We are emphasising on the development of small businesses as part of our plans for full financial inclusion. Our economy is moving very fast and that is why we should address some of the problems faced by small businesses,” said Md Ashadul Islam, senior secretary of the finance division.

Islam made the comments during the keynote session of the “Action-framing conference: transforming financial market for small businesses”. The event, held at the Radisson Blu Water Garden hotel in Dhaka yesterday, was organised as part

of the Business Finance for the Poor in Bangladesh (BFP-B) programme.

The BFP-B, a financial sector reform programme funded by the UKAid and managed by Nathan Associates London Ltd, aims to create Economic opportunities for small businesses in Bangladesh.

Nathan Associates previously worked with the government, regulators, commercial financial institutions, and technology companies on a number of occasions in Bangladesh.

Small-scale entrepreneurs do not know how to manage their finances despite having a good scope to expand businesses, said Islam.

During his presentation, BFP-B team leader Feisal Hussain said that the programme plays a vital role in assisting policy and regulation reforms.

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