

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 7.75%	▲ 7.45%	\$1,941.00	\$44.80	▼ 1.13%	▲ 0.17%	▼ 0.56%	▲ 1.19%	BUY TK 83.95	98.12	108.71	11.89
4,703.32	8,072.93	(per ounce)	(per barrel)	37,877.34	23,289.36	2,581.32	3,360.10	SELL TK 84.95	101.92	112.51	12.50



# Star BUSINESS

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## Little progress in recovering the Tk 18,253cr lost in financial scams in recent years

AKM ZAMIR UDDIN and REJAUJ KARIM BYRON

The financial regulators and the government organisations are still struggling to resolve the much-talked five financial scams in the country as the embezzled fund worth Tk 18,253 crore are yet to be recovered.

High officials of three banks and two multilevel marketing (MLM) companies -- Sonali, BASIC, Farmers, Destiny and Jubok -- were involved with the corruption.

In some cases, the prime accusers of the scams were not even the main accused in the lawsuits due to strong links with influential quarters.

The three lenders are yet to get back both their previous business image and restore financial health due to the wide range of the financial scams while clients of the two multilevel marketing companies did not return their hard-earned money.

For instance, BASIC Bank, which was once one of the top-rated banks until Sheikh Abdul Hye Bacchu was appointed board chairman in 2009, has been facing reputation crisis at home and abroad after the financial scams that took place between 2009 and 2014.

In December 2009, the bank's soured loans accounted for only 4.81 per cent of its total distributed loans amounting to Tk 2,926 crore. In June, default loans made up 50 per cent of its total outstanding loans.

Since 2013, the state bank has been in the red.

The bank has yet to get a turnaround from the disaster, said its Managing Director Md Rafiqul Alam, adding that foreign banks show reluctance in doing business with the lender.

The board of directors and management then had helped nearly 100 little-known and non-existent companies swindle about Tk 4,500 crore from the state-owned bank.

"We have yet to trace out 8 per cent of the companies, which has harmed our recovery process," Alam said.

The bank is now running after the plunderers to recover the funds and regularised Tk 2,100 crore last year under the central bank's relaxed rescheduling loan facility that offered a 10-year repayment tenure with 2 per cent down payment of the outstanding loans.

"We will be unable to make a profit in the

### MAJOR FINANCIAL SCAMS IN RECENT MEMORY

#### BASIC BANK

Bet'n 2009 and 2013, Tk 4,500cr was swindled

Amount siphoned off to 100 companies

Of the companies, 8% remains untraceable

No allegation raised against the prime accuser and the then-board chairman Sheikh Abdul Hye Bacchu

Soured loans may be written off by taking regulatory forbearance

#### HALL-MARK GROUP

Bet'n 2010 and 2012, Tk 3,547cr embezzled by Hall-Mark Group and five other companies

Sonali Bank has yet to recover any money

Lender filed 16 cases with Artha Rin Adalat

ACC filed 11 cases, of which 2 are in final stage

More than 60 auctions have been so far arranged to sell the mortgaged assets but found no takers

#### FARMERS BANK (NOW PADMA BANK)

Bet'n 2014 and 2016, Tk 3,500cr was given out breaching banking norms

Since Jan'17, bank has an embargo on loan disbursement

Lender filed nearly 1,000 cases under the NI Act, 1881 to recover loans

About 400 cases filed with Artha Rin Adalat

The then-audit committee chairman Md Mahabubul Haque Chisty now in jail

#### JUBOK

Bet'n 1994 and 2006, scammers embezzled Tk 2,588cr from clients

Two commissions were formed, but their recommendations never materialised

"It's a dead issue and there's no scope to do anything about it afresh," said the then-Finance Minister

AMA Muhith in 2016

#### DESTINY GROUP

Embezzled Tk 4,118cr by way of engaging MLM business

Tk 96 crore was laundered abroad

Clients have not gotten any fund back

ACC filed 2 cases against 53 people in 2012

Cases are still pending

days ahead due to the burden of the large amount default loans," Alam said.

The lender will try to write off its defaulted loans within a month or two by way of taking regulatory forbearance from both the central bank and the government, said an official of the bank wishing not to be named as he is not authorised to speak with the media.

If the government allows it, the local businesses and its foreign lenders might get their confidence back on the bank, Alam said.

Under the regulatory forbearance, the bank should be allowed not to keep any provisioning against the written-off loans. Multiple investigations found that Bacchu had plundered

public funds from the lender with the help of other board of directors.

The Anti-Corruption Commission (ACC) has so far filed 60 cases in connection with the scam, but ironically Bacchu was not accused of the lawsuits.

"It is highly frustrating that the ACC has yet to finalise any charge sheet of the cases. This means the organisation has not taken the issue much importance," the official added.

While Bacchu and his co-conspirators were indulging in all sorts of malpractices at BASIC Bank, a little-known Hall-Mark Group was up to similar mischief at another state bank.

Both the then board and the management of Sonali Bank were largely responsible for the scam that caught the imagination of the nation.

Based on forged documents, Sonali's

Ruposhi Bangla Hotel branch lent Hall-Mark Group and five other companies Tk 3,547 crore between 2010 and 2012 on fake documents.

Of Tk 3,547 crore, Hall-Mark Group alone took away Tk 2,686.1 crore, T and Brothers Tk 609.7 crore, Paragon Group Tk 146.6 crore, Nakshi Knit Tk 66.4 crore, DN Sports Tk 33.3 crore and Khanjahan Ali Tk 5 crore.

But the bank has yet to recover a single penny from the scammers.

Sonali has filed 16 cases at the Artha Rin Adalat (also known as the money loan court) to recover the fund, said its MD Md Aatur Rahman Prodhon.

The state lender will be able to get back a portion of the swindled funds if the courts allow it to sell the Hall-Mark Group's mortgaged assets, he said.

Asked how much fund the bank would be

able to recover by selling the assets, he said the value of the properties could be Tk 500 crore to Tk 700 crore.

This means the asset value is much less than the amount swindled. So far, Sonali has arranged more than 60 auctions to sell off the assets but has yet to find a taker.

The state lender is trying to recover the fund by way of using different methods, but the process is highly tough as Hall-Mark's MD Tanvir Mahmud and Chairman Jasmine Islam are now in jail, Prodhon said.

"The group had earlier deposited Tk 86 crore with Janata Bank. And we wrote a letter to the lender in the first week of this month to transfer the fund to our account," he said.

While both the lawyer and Janata have reached a consensus to transfer the fund, the process is yet to take place.

"If we get the fund, this will become a positive matter for us," Prodhon said.

The ACC also filed 11 lawsuits against the involved persons with the scam, of which two cases are now in the final stage.

It was not just the state banks where financial irregularities were taking place. Established in 2013, Farmers Bank became a hotbed for financial irregularities in less than three years of operation.

The scammers plundered more than Tk 3,500 crore from the bank with the help of the other board of directors, according to an investigation carried out by the central bank.

Muhammad Khan Alamgir and Md Mahabubul Haque Chisty, the then board chairman and chairman of the audit committee respectively, were forced to resign from their respective posts in November 2017.

The ACC filed 15 cases against the connected persons with the irregularities, but Alamgir was not accused in any of the lawsuits due to his strong connection with influential quarters.

As of June, defaulted loans in the bank stood at about Tk 3,300 crore, up from Tk 723 crore at the end of 2017.

So dire did the bank's financial health become that it needed to be bailed out by the government in 2018. State-owned financial institutions Investment Corporation of Bangladesh, Sonali, Janata, Agrani and Rupali banks bought 60 per cent stakes in the bank that got a licence in the first place on political consideration. The stakes were valued at Tk 715 crore.

Then in January last year, it changed its name to Padma Bank with the hope of shaking off the image crisis.

The beleaguered lender has so far filed nearly 1,000 cases under the Negotiable Instruments Act, 1881 to recover funds from the plunderers, said its MD Md Ehsan Khasru. It has also filed about 400 cases in the Artha Rin Adalat.

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## ACI Motors lands Tk 126cr in foreign investment

AHSAN HABIB

ACI Motors is set to secure an equity-based foreign investment of Tk 126 crore from two companies as it landed its first foreign investment.

The fund from the Netherlands and Singapore would be used to accelerate business growth and expand existing manufacturing facilities of ACI Motors.

"ACI Motors has huge growth potential. So, we want to go for further investment where equity investment is better than debt," said Pradip Kar Chowdhury, executive director for finance and planning at ACI, which owns the company.

The fund will be raised through the issuance of 23.33 lakh convertible non-cumulative preference shares of Tk 100 each at a premium of Tk 440.

In the case of non-cumulative preference shares, the dividend is only payable from the net profits each year. If the company makes no net profits in a year, the arrears of dividend can't be claimed in the subsequent years.

The shares will be issued to Bangladesh-managed account CV, a limited partnership of the FMO and SDI Pte, the two investors.

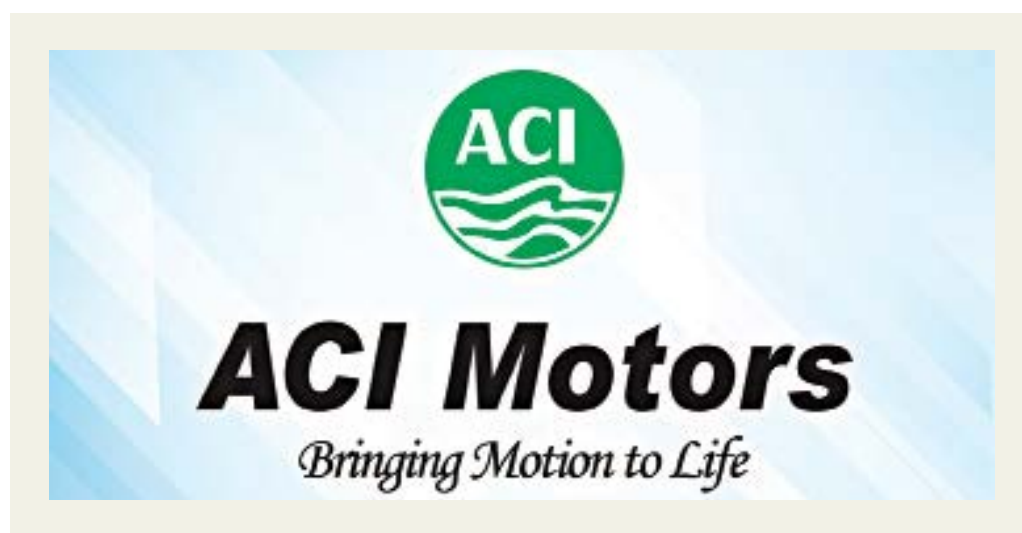
The FMO is a Dutch development bank structured as a bilateral private-sector international financial institution based in Hague.

Based in Singapore, Solutions Design & Integration Networks Pte specialises in customised design, fabrication and deployment of an automated and interactive kiosk and public display solutions.

The arrangement will reduce ACI's shareholding in ACI Motors to 52.7 per cent from 65 per cent.

"The investment will allow ACI Motors to go further," Chowdhury added.

ACI Motors sells products such as agricultural machinery, construction equipment and motorcycle.



It offers a complete line up of high horsepower agricultural machinery, bringing in tractors, power tiller, reaper, mini combine harvester and rice transplanter.

It introduced the Sonalika tractor, which is specially designed for Bangladesh making it suitable for small land size and roads.

ACI Motors became the distributor of Yamaha Motorcycles in 2016.

The company represents some of the world's leading construction equipment manufacturers, providing backhoe loader, soil compactor and tandem roller, among others.

In 2017, ACI Motors added China's leading brand Lovol's construction equipment to the wheel loader and mini excavator segment.

It brought Japanese brand Kobelco in the segment of the premium brand excavator. In 2019, it added pick and carry crane from India's Indo Farm Equipment.

"The new shareholders' expertise, especially that of the FMO will help us to a great extent," said Chowdhury, also the chief financial officer

of ACI. The foreign investors will sit on the board of the company and will thus play a role in improving the corporate governance further, he added.

ACI Motors' revenue stood at Tk 954 crore in the three quarters of the 2019-20 financial year. The full year report is yet to be published.

Assets were valued at Tk 1,407 crore and liabilities Tk 1,115 crore as on 31 March.

ACI Motors logged a profit of Tk 98.6 crore from 19 July 2019 to 20 March this year.

However, ACI incurred a loss of Tk 119.5 crore during the same period owing to higher operating costs and finance cost.

In the last three quarters, ACI's total finance cost was Tk 352.6 crore and the operating cost totalled Tk 1,264.2 crore.

As of 31 March, the group's long-term bank loan stood at Tk 826 crore and the short-term loan Tk 2,978 crore.

The stocks of ACI, listed on the Dhaka Stock Exchange since 1976, rose 2 per cent to Tk 273 on Thursday.

## Another sign of economic rebound: sales of commercial vehicles springing back

JAGARAN CHAKMA

Sales of commercial vehicles like trucks and pickups have started to bounce back as economic activities are finally gaining momentum following a two-and-a-half-month-long government-enforced pause amid the pandemic.

On average, 20 units of trucks and 45 pickups were sold each day in July, while the numbers were 32 and 40 units respectively in the pre-pandemic period, according to market players.

Nitol Niloy Group, the sole distributor of Indian automobile giant Tata Motors, shifted more than 800 units of trucks and pickups in July from its inventory.

In normal times, the sales would be in the neighbourhood of 1,000 units, according to Abdul Matlub Ahmad, chairman of Nitol Niloy Group.

So promising is the rebound seeming that Ahmad is now fearing there might be a shortage of pickups because of the supply side disruptions in India.

"We can't import vehicles from India as per our requirements due to a massive outbreak of coronavirus in West Bengal," he said, adding that the inventory of trucks is sufficient at this moment.

Between 2010 and 2019, trucks and pickups, which provide major logistic support in export and import activities,

### COMMERCIAL VEHICLE MARKET AT A GLANCE



- ▶▶ Market size: Tk 42,000cr
- ▶▶ In Jun-Jul, 20 trucks and 45 pickups sold per day
- ▶▶ Annual growth 10%
- ▶▶ Truck sales each year Tk 3,000cr
- ▶▶ Pickup sales each year Tk 13,000cr
- ▶▶ Direct employment: 5.5 lakhs (drivers + helpers)

worth about Tk 42,000 crore were sold, with 10 per cent average growth per year, industry insiders said.

Now, a total of 1.6 lakh trucks and 1.4 lakh pickups ply the country's roads.

Ahmad, also a former president of the Federation of Bangladesh Chambers of Commerce & Industries, hopes the economy will revive sooner rather than later seeing that the businesses are reopening even though there is no sign of the rogue pathogen slowing down anytime soon.

Sales of commercial vehicles depend on the existing market situation of the cement and steel sectors as well as export and import activities, said Taskeen Ahmed, managing director of Ifad Motors, the sole

distributor of Indian automaker Ashok Leyland.

Migrant workers who have come back from abroad for good are purchasing pickups as an income source, which is also contributing to a rise in sales of commercial vehicles, according to Ahmed.

"We were at our wits' end during the government-announced general holidays. But as economic activities have begun to pick up gradually, we breathed a sigh of relief. I believe the sector will be able to survive the shocks and recover the losses in phases," he added.

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# For China's landlords, rent-to-riches dreams fade in red flag for fragile economy

REUTERS, Beijing  
Not yet 30, Beijing office worker Li thought she was already on her way up China's private property ladder with two apartments bought and rented out. Then came the new coronavirus, jobless tenants leaving town and a rent falloff. She's one of millions of Chinese landlords who have bought apartments to let in a highway to the country's growing middle class, many now facing a first slump in rental income. Analysts say there's little prospect of widespread mortgage defaults for now, and property prices continue to grow, albeit more slowly. But the rental woes underline China's economic fragility, with the landlord legions already cutting back on spending amid their gloom. Li, who declined to give her full name, said she had to almost halve the rent at one of her apartments between February and May to hang on to a tenant, while her own salary was slashed

25 per cent as her employer made coronavirus cutbacks. "I must pay the rent of my room in Beijing, and monthly mortgages for the two apartments," she said. Rents in 20 major cities fell 2.33 per cent in July from the same month year earlier, according to property data provider Zhuge House Hunter - the fourth consecutive month of decline in a market that's been buoyant for years. The sector remains opaque with no national database setting out who owns which buildings and limited historical tracking data. Amid the strain wrought on China's services and manufacturing sectors by the spread of COVID-19 earlier this year, first to be laid off were migrant labourers, prime takers of small rental apartments. White-collar workers followed, while fresh college graduates from the provinces who would normally flood into cities have struggled to find jobs. All that has weighed on consumption by

both tenants and deeper-pocketed landlords. Even demand for short-term accommodation has waned, depriving landlords of one alternative. In June, the number of Chinese properties that had at least one booked night fell 29 per cent from a year earlier, according to data from analytics firm AirDNA, which tracks bookings on Airbnb and Vrbo. "Two groups ... suffer the most," said Yuan Chengjian, vice president of Zhuge House Hunter. "One is long-term rental firms ... the other is investors who buy properties through high leverage financing, because they pay off part of their mortgages with rent." Luo Shuzhen, 50, with 80 rooms to sublet in two buildings in the southern industrial city of Dongguan, said tenant numbers have dropped 30 per cent this year. She's now postponing plans to furnish an apartment she bought last year. "It's hard to say how long the epidemic would last, so I'm not sure whether I can maintain the rental business in the second half," said Luo, who runs a convenience store. Like Luo, other landlords that Reuters spoke to were looking at reducing spending. China's retail sales fell for the seventh month in July, official data on Friday showed. But mortgage defaults remain rare for now: China's overall non-performing loan ratio stood at just 2.1 per cent on average as of end-June. Regulators do not give a breakdown on souring mortgages, but China's residential mortgage-backed securities (RMBS) market offers a clue to trends. About 3 per cent of mortgages are securitised by banks, and delinquency in payment of some securitised mortgages inched higher earlier this year, although defaults remained below 0.10 per cent of outstanding mortgages. "Half of the transactions in the securitisation market use 90 days as the definition for default, while the other half use 180 days," said Tracy Wan, senior director of Asia-Pacific structured finance at Fitch Ratings. "For those who use 180 days, you'd have a longer time to recognise defaults, and that number is still going up." For Beijing office worker Li, the time to seek assistance in keeping her property dreams in one piece has already come. "I even asked my father for help - and I'm nearly 30 years old!" she said.



A woman wearing a face mask following the Covid-19 outbreak walks past a residential compound in Beijing, China. REUTERS/FILE

# Malaysian economy shrinks most in over 20yrs

AFP, Kuala Lumpur  
Malaysia's economy suffered its worst contraction in more than 20 years during the second quarter, hit by a collapse in global trade and tough curbs to contain the coronavirus, the central bank said Friday. The economy shrank 17.1 per cent on-year in April-June -- the first since the global financial crisis in 2009 and the deepest since the Asian financial turmoil 11 years before that -- putting it on course for recession.

Negara Malaysia, said the economy was poised for a recovery in the current quarter as virus-related restrictions are eased. "We are likely to see a trough in the second quarter. The economy is poised for a recovery in the second half and rebound further in 2021," he said at a virtual news conference. "I am cautiously optimistic the worst is behind us. Bank Negara said the second quarter decline reflected the unprecedented impact of the stringent containment measures to control the COVID-19 pandemic globally and domestically" imposed from mid-March to early June.

The reading was much worse than the 10.9 per cent drop forecast in a survey by Bloomberg News, despite interest rates being cut to record lows. It shrank 16.5 per cent on-quarter. Wan Suhaimi Saidi, an economist at Kenanga Investment Bank, warned that the trade-dependent economy was "heading into a recession since there is no sign of a full recovery in demand and business activity". He told AFP he expects a full-year contraction of between four and six percent, more than the central bank's estimate of 3.5-5.5 percent. But Nor Shamsiah Mohamad Yunus, head of the central Bank

The restrictions, which included businesses being shut down and people confined to their homes, "resulted in demand and supply shocks", with border control measures globally hitting tourism arrivals, the central bank added. The country's outbreak has been relatively small -- recording just over 9,000 cases and 125 deaths -- but the lockdown's toll was heaviest on the economy. Malaysia is highly dependent on trade and tourism, with its key exports including palm oil, crude oil and natural gas.



# Lufthansa cabin crew union members back cost cut deal

REUTERS, Berlin  
Cabin crew at Lufthansa have voted overwhelmingly in favour of a deal to stop pay rises and cut hours, the UFO trade union said on Saturday as the German airline battles to rein in losses due to the coronavirus pandemic. Lufthansa reached the deal in June with UFO, which represents 22,000 cabin crew, to reap more than 500 million euros (\$592.05 million) in savings from shorter hours and an equivalent cut in pay as well as a temporary reduction in pension contributions. Last week, the airline put German workers on notice of compulsory layoffs, saying the slump in travel and slow progress in union negotiations meant cuts were unavoidable after the carrier lost 1.7 billion euros in a single quarter. Lufthansa, which in June received a 9 billion euro government bailout to secure its future, said last week it expected capacity to recover to only around 50% of normal by the end of 2020 and to two thirds of last year's level in 2021. Lufthansa said on Thursday it had walked away from talks with union Verdi on behalf of 35,000 ground staff over a package to cut staff costs and would only return to the negotiating table if Verdi offers significant cost savings.



An airplane of the German air carrier Lufthansa is pulled inside a hangar for technical check-up to ensure planes keep up their safety standards despite being grounded for a month due to the Covid-19 outbreak in Frankfurt, Germany. REUTERS/FILE

# Amazon launches online pharmacy in India

AFP, Mumbai  
US tech giant Amazon launched its first Indian online pharmacy service on Friday as it attempts to grab more of the country's burgeoning e-commerce market. Amazon is battling Walmart-backed Flipkart and JioMart, owned by Asia's richest man Mukesh Ambani, as well as local companies in the vast market of 1.3 billion people. India has seen nearly 2.5 million confirmed coronavirus infections -- more than any other country besides the United States and Brazil -- and healthcare startups are seeing huge demand for services as a result of the pandemic. Customers in Bangalore, India's IT hub, will be able to order prescription and over-the-counter medicines and basic health devices from certified sellers, Amazon India said in a statement. "This is particularly relevant in present times as it will help customers meet their essential needs while staying safe at home," Amazon said. The firm owned by Jeff Bezos, the world's richest person, will also conduct pilot projects in other Indian cities, a company spokeswoman told AFP. Amazon already offers online pharmacy sales in the US and several European countries, and has registered "Amazon Pharmacy" trademarks elsewhere, the spokeswoman added.

# US retail sales, industrial output post modest gains

AFP, Washington  
The US economy continues to regain ground as the coronavirus crisis drags on, with retailers and manufacturing posting gains, but new data Friday show progress is slowing and the recovery is in doubt amid a political stalemate over a new aid package. "We're coming back very strong. We should have a very good third quarter" and an "unbelievably good" next year, President Donald Trump told reporters Friday when asked about the industrial production increase in July. But he remained steadfast in opposing a spending package that would include help for ailing cities and states. "They want \$1 trillion to go to their friends doing a bad job running certain cities and states that are doing very badly," Trump said, adding that Democrats are to blame for the impasse. Economists warn that the massive aid deal approved by Congress in late March, including expanded federal unemployment benefits, has supported the economy in recent weeks but that could change if the expiring programs are not replaced. "Our 'friends' in Washington seem to be doing everything possible to kill the recovery," economist Joel Naroff said in an analysis. He said it was the government's "welfare programs that have supported household and business spending. With the Senate on vacation... the funds flowing to unemployed workers and supporting businesses are disappearing.

"US retail sales increased 1.2 percent last month compared to June, a more modest rise than economists had been expecting, held down by a decline in auto sales, according to government data released Friday. It was the third straight increase after the 8.4 percent increase in June, and the gain puts sales 2.7 percent higher than the same month of 2019, the Commerce Department reported. But for the first seven months of

the year, a large part of it spent under coronavirus lockdowns, sales were 2.1 percent lower as compared to the same period of last year. While the July data bode well for the third quarter, Diane Swonk, chief economist at Grant Thornton, warned that the final three months of the year could see a slowdown -- especially if the fall brings a new wave of COVID-19 infections. "Our greatest concern is the fourth quarter, the most important time of the

year for retailers. Halloween is the second largest holiday next to Christmas for consumer spending," she said. Naroff warned, "Don't be surprised if there is a weakening not only in consumer demand but in hiring as well." Consumers are likely to become more cautious in the absence of a deal between Congress and Trump's economic team -- and the recent rhetoric does not bode well for an agreement. The University of Michigan consumer sentiment index showed confidence was flat in early August compared to July. But the report said: "The overall confidence in economic policies fell to the lowest level since Trump first entered office. The policy gridlock has acted to increase uncertainty." Industrial production rose 3.0 percent in July, the third monthly increase but a slower gain than in June, the Federal Reserve said Friday. Output rose in all major sectors, including a 3.4 percent increase in manufacturing. However, after dramatic declines in March and April as the coronavirus crisis took hold in the US, total output remains more than eight percent below July 2019, while manufacturing is down by 7.7 percent. The largest gain in July -- 28.3 percent -- was in motor vehicles and parts. In contrast, the retail sales report showed auto sales fell 1.3 percent compared to June. Excluding that decline, total retail sales rose 1.9 percent, according to the data.



# Stocks dip on lukewarm data

REUTERS, New York  
Stocks fell on Friday as data out of China, the euro zone and the United States put a lid on expectations for a sustained global rebound, with traders already worried about a delay in US fiscal stimulus. A review of the US-China trade deal initially slated for Saturday will be delayed due to scheduling issues and no new date has been agreed upon, according to sources familiar with the plans. European shares were weighed further by a hit to travel stocks after Britain added more European countries, including France, to its quarantine list amid the coronavirus pandemic. On Wall Street, a slowdown in retail sales growth last month and concern over further reluctance by consumers weighed on stocks, but the S&P 500 ended nearly unchanged, not far from record highs. "The economy remains on life support and Congress going on

recess is bad news for large parts of the economy," Edward Moya, New York-based senior market analyst at OANDA, wrote in an afternoon note. "Stocks will not selloff due to the extraordinary policy support that central banks and governments have put in place." The Dow Jones Industrial Average rose 34.3 points, or 0.12

per cent, to 27,931.02, the S&P 500 lost 0.58 points, or 0.02 per cent, to 3,372.85 and the Nasdaq Composite dropped 23.20 points, or 0.21 per cent, to 11,019.30. MSCI's world index shed 0.25 per cent, drifting further from all-time highs touched in February. The index has still rallied close to 50 per cent from March's trough despite global economic consequences of fighting the COVID-19 pandemic. The euro zone reported the biggest drop it ever recorded in employment in the second quarter. Data also confirmed a record fall in gross domestic product last quarter and a widening in the euro zone's trade surplus with the rest of the world. Data showing a slower-than-expected rise in Chinese industrial production and a surprise fall in retail sales put Asian shares on the defensive. Yields on benchmark U.S. Treasuries dipped but remained elevated after an auction of 30-year bonds on Thursday met weak demand. The 30-year yield rose every day this week. Benchmark 10-year notes last rose 2/32 in price to yield 0.7094 per cent, from 0.716 per cent late on Thursday. The 30-year bond last fell 12/32 in price to yield 1.4439 per cent, from 1.428 per cent. Gold ticked lower and posted

its steepest weekly fall since March, following a string of nine weeks of gains. Spot gold dropped 0.5 per cent to \$1,943.76 an ounce. Silver, also posting a weekly loss after a long string of gains, fell 4.16 per cent to \$26.41. The dollar index was headed for an eighth consecutive week of losses, its longest weekly losing streak in a decade. The index fell 0.163 per cent, with the euro up 0.25 per cent to \$1.1841. The Japanese yen strengthened 0.30 per cent versus the greenback at 106.59 per dollar, while Sterling gained 0.16 per cent to \$1.3084. Oil edged further below \$45 a barrel, giving up some of this week's gain, under pressure from doubts about demand recovery due to the COVID-19 pandemic and rising supply. U.S. crude recently fell 0.05 per cent to \$42.22 per barrel after hitting \$41.62 earlier and Brent was unchanged in late trading at \$44.96 after falling to \$44.47.



# Debt mountain meets population cliff

MIKE DOLAN, Reuters

Hopes the world economy can grow itself out of the mountain of debt being accumulated during this year's pandemic shock may have failed to factor in the uncomfortable prospect of a peaking population within the next 50 years.

The sweeping Covid-19 pandemic, related lockdowns and resulting historic recessions have forced governments and companies around the world to borrow to bridge the gap, and left central banks with little choice but to keep debt servicing levels affordable.

The International Monetary Fund in June estimated public debt as a share of gross domestic product in advanced economies on aggregate will now shoot to record highs above 130 per cent this year and next, topping levels seen shortly after World War Two.

Even by the end of the first quarter of 2020, the pandemic-related scramble for credit had pushed total government, corporate and household debt more than 10 percentage points higher to a record 331 per cent of GDP, or some \$258 trillion, according to data published by the Institute of International Finance. The figure for so-called "mature markets" is as high as 392 per cent.

The IIF also points out that due to Covid-19-related lockdowns corporate debt has soared, with \$4.6 trillion of bonds sold in the second quarter alone compared with quarterly averages last year of \$2.8 trillion.

With the United States Treasury conducting record sized 10- and 30-year bond auctions this week alone, no one's in any doubt there is a lot of debt piling up.

The U.S. Congressional Budget Office in May updated its long-range forecasts for government debt held by the public and reckoned that at \$116 trillion by 2050, the public debt ratio was set to more double to

180 per cent by then.

Deutsche Bank meanwhile notes that the "central scenario" of Britain's official fiscal watchdog shows a 2070 government debt/GDP ratio of 418 per cent. During the austerity drive just five years ago, that same 2070 forecast was just 87 per cent.

"It's almost inconceivable that we'll reach that point, so something will likely have to give," said Deutsche strategist Jim Reid, opining on options from cutbacks to age-related pension and healthcare costs, to higher taxes, faster inflation, central bank bond buying or even - whisper it - default.

"Economic growth could bail us out but this will be tough given demographics."

Those long-run debt projections just collided with some equally alarming

population statistics.

A new academic study of global fertility rates and their long-term demographic implications published in Britain's The Lancet magazine last month showed the global population is now set to peak at 9.7 billion around 2064 before falling by more than 9 per cent by the end of the century.

While that may be a relief for the environment, it has seismic economic growth and public debt implications.

Populations in some 23 of the 195 countries in the study - including Japan, Spain, Portugal, Thailand and Ukraine - are expected to halve by the end of the century and China could see a drop of 48 per cent. Another 33 countries are seen declining by between 25 per cent and 50 per cent. Both China and India should expect to see their

numbers peak before 2050.

Add in ageing in countries forecast to see 25 per cent population declines and the ratio of those over 80 to those under 15 is expected to balloon to 1.5 from just 0.16 now.

"These population shifts have economic and fiscal consequences that will be extremely challenging," the study said. "All other things being equal, the decline in the numbers of working-aged adults alone will reduce GDP growth rates."

Of course, relative changes between countries are crucial.

Flattered by immigration, the population of the United States is expected to grow until mid-century followed by a moderate decline of less than 10 per cent of the peak by 2100. In terms of GDP rankings, that would see China rise to the top by 2035 but be superseded once more by the United States in 2098.

For the United States at least, where some argue a mini-youth boom is already underway, the near-term debt situation is workable as long as the Federal Reserve keeps the cost down.

"The math is not that challenging," said Barings strategist Christopher Smart, adding that if net borrowing costs can be capped at 1.5 per cent, then just 1.5 per cent GDP growth and 2 per cent inflation could see the debt ratio shrink by 2 per cent a year.

More worrying, he said, is the long-term willingness to pay.

And if that becomes a concern in the biggest economy in the world with a relatively manageable debt scenario, not to mention the ability to print the world's dominant reserve currency, then there is an even bigger headache elsewhere.

The author is editor-at-large for finance and markets at Reuters News. Any views expressed here are his own.



Commuters wearing protective face masks are seen a day after the government announced the lifting of the state of emergency by the Covid-19 in large parts of the country including Fukuoka, southern Japan.

REUTERS/FILE

## StanChart executes Bangladesh's first-ever blockchain LC transaction

FROM PAGE B4

"If you want to name the top five advantage of this, they are paperless, real-time, low-cost, faster and error-free," said Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh.

Although it has been done locally, Standard Chartered would soon expand the service for cross-border exports and imports, he said.

For that, everything will be paperless except for some regulatory processes of the Bangladesh Bank and customs formalities.

Contour improves data transparency, removes administration costs and reduces friction in global trade, all leading to an overall increase in efficiency and reduction in costs for all parties, Standard Chartered Bangladesh said in a press release.

As one of the founding members of Contour, the multinational bank benefits from the network, which simplifies the LC process, delivering shorter settlement times, instant discrepancy resolution and simplified sanctions screening.

"We are very excited to offer our clients improved speed and reduced risks of settlement offered by platforms such as Contour," Bijoy added.

The global trade lacks a solution that drives out inefficiencies, improves data transparency and enables interoperability between all trade participants, said Carl Wegner, CEO of Contour.

The long-established elements of trade finance don't have sufficient integration, causing friction and unnecessary administration. These inevitably cause significant barriers for global trade growth, adding complexity, increasing cost and delaying the process for both banks and corporates, he added.

"The Contour network can overcome these issues, providing a consistent and

reliable infrastructure for global trade to flourish, especially in countries like Bangladesh that count on LCs for a significant part of their trade volumes."

The recent transaction with Viyellatex serves to prove that a solution is out there and readily available for adoption, Wegner added. This is not the only blockchain-based transaction that British lender has in store for its clients.

Standard Chartered is also rolling out a blockchain-based service for expatriate Bangladeshis in Malaysia, the fifth-highest source of remittance for the country, enabling them to send money home on a real-time basis.

"The service will be launched soon and we have partnered with a local MFS provider and a Malaysian company," Bijoy said.

As per the arrangement, remitters will be able to send in their hard-earned money in real-time by opening a mobile wallet with Malaysian fintech firm Valyoo, a subsidiary of Telenor Group.

The amount from Valyoo would then be wired through Standard Chartered's operations in Malaysia and Bangladesh. Once in Bangladesh, bKash would distribute the funds, ending the chain of cross-border transaction that harnesses the power of technology.

This means migrant workers in Malaysia would be able to settle their cross-boundary transactions in real-time with just a few clicks on their mobile phone, in an arrangement not seen before in Bangladesh. Corda, the blockchain platform, would facilitate the transaction.

The platform, which was designed to bring transparency and trust to interactions while maintaining privacy and security, ensures data is shared only with the parties that need to know.

## Little progress in recovering the Tk 18,253cr lost in financial scams in recent years

FROM PAGE B1

Khasru says the lender has now turned a corner. It has already recovered a good amount of funds from the defaulters.

"But it is too tough to realise the existing defaulted loans as the money was given out by grossly breaching the banking norms," he said.

In January 2017, with the view to stemming the corruption, the Bangladesh Bank even imposed an embargo on disbursing fresh loans.

"The central bank will permit us within this month to disburse fresh loans, a sign that the bank is now in a good shape," Khasru said.

Another sensational financial scam that rattled the entire country involves Jubok (Jubo Karmasangsthan Society), an MLM company that started in 1994 by providing micro-credit to its members and went on to set up more than 20 business outfits.

The organisation -- which spread its tentacles to telecommunications, housing and real estate development, tourism, health, ceramics, seafood, IT, nursery, agro-biotech industry and capital management by 2006 -- owes a staggering Tk 2,588 crore to its clients, according to probe reports.

And the clients may never see their money back as the government does not think it is worthwhile to pursue the issue.

A six-member probe body that was formed in January 2010 led by former BB Governor Mohammad Farashuddin recommended the government to constitute a permanent commission to return the money to the depositors.

Subsequently in 2011, the government formed another commission led by former

Joint Secretary Rafiqul Islam to find ways to return the swindled funds.

In August 2014, the government formed a seven-member inter-ministerial committee to review the recommendations of the previous two commissions.

The committee, which handed in its report to the commerce ministry in December 2014, too called for a permanent commission. That commission has not been formed yet.

In September 2016, an inter-ministerial meeting took place at the finance ministry, where it was learnt that the government never pursued the issue with much seriousness.

"It's a dead issue," the then Finance Minister AMA Muhith told reporters after the meeting. "There's no scope to do anything about it afresh."

And the government has been silent on the matter since.

Another MLM was operating at the same time as Jubok and indulging in the same form of duplicity. That MLM was called Destiny Group and between 1998 and 2012 it made off with Tk 4,118 crore of clients' money.

The clients are yet to get back any fund.

Destiny Group MD Rafiqul Amin and Destiny Multipurpose Cooperative Society Chairman Mohammad Hossain have long been facing cases of fund embezzlement and money laundering.

The alleged persons also laundered money worth Tk 96 crore abroad.

In 2012, the ACC filed two separate cases against 53 involved people with the Destiny scam. But the cases are still pending and the ACC claimed it has yet to complete the process of the testimony of the lawsuits.

## Two-thirds new poor received cash support

FROM PAGE B4

A board under the PMO should be formed to manage the database and update it regularly so that it could be used in the future if required, he said.

The board would manage the country's SSNP, said the researcher.

The Bangladesh Bureau of Statistics is preparing a database of ultra-poor people. The people who are already on the list of the SSNPs would also be included in the list.

One of the obstacles that stood in the way of distributing the support was that not all potential beneficiaries have had NID cards.

The Election Commission is already working to give NID to all citizens in the country.

Distributing the cash support among the affected people through the government to person system within a short time was a major challenge, the finance ministry letter said.

Although the target to support 50 lakh affected families could not be reached, identifying the real recipients through multi-stage scrutiny, distributing the funds among them within the shortest possible

time and executing the whole process without any controversy is an achievement of the government, it said.

The recent nationwide closure of all economic activities has doubled extreme poverty in Bangladesh, raising the number of the ultra-poor from 10.5 per cent of the population to 20.5 per cent as of June, the planning commission said.

As a result, the incidence of poverty increased from 20.5 per cent to 29.4 per cent as a considerable number of people lost their income due to the coronavirus fallout.

Due to the income shock emanating from the pandemic, 77.2 per cent of the vulnerable non-poor fell below the poverty line, according to a study of the Power and Participation Research Centre and the Brac Institute for Governance and Development.

About 13 per cent of the people have become unemployed in the country due to the pandemic, a survey of the Bangladesh Institute of Development Studies showed.

As per findings, 19.23 per cent of participants with income less than Tk 5,000 reported that their income was reduced by 75 per cent.

## Another sign of economic rebound: sales of commercial vehicles springing back

FROM PAGE B1

Business improved much in June and July compared with April and May, said Hafizur Rahman Khan, chairman of Runner Group, distributor of Eicher branded trucks.

"This was beyond our expectation," he

said, adding that it will take time to return to the pre-pandemic level. In the first six months of the year, a total of 4,372 units of pickups and 2,229 units of trucks were registered in the country, according to the Bangladesh Road Transport Authority.

## Cheap rawhides have nothing to do with high prices of leather goods

FROM PAGE B4

The official's views were echoed by Abu Eusuf, a professor of economics in the Department of Development Studies of the University of Dhaka.

The price of leather is very minimal in the whole production and marketing cycle of leather shoes, said Eusuf.

However, bank interest rates and the cost of availing finance, accessories, marketing, establishments, showrooms, labour and others are very high, causing prices of leather shoes to go very high, he said.

A shoe manufacturer always raises the price of a pair of shoes by Tk 1,200 to Tk 1,500 from the actual production cost to survive. As a result, the sales price of a pair of shoes stays fixed between Tk 4,000 and Tk 4,500 in the local markets.

Eusuf also blames the presence of synthetic shoes for prices of leather shoes being high.

The prices of rawhides remained low for the past two years mainly because tanners could not go into full production in the STIE and incurred significant losses while shifting from Hazaribagh to the STIE, he said.

The tanners are also suffering from a lack of financing from the banking sector, said Eusuf who has conducted research for long on the rawhide and leather industries in Bangladesh.

Many tanners and merchants have already turned bankrupt for failing to make good business from rawhide and leather products, the professor also said.

Bangladesh Competition Commission (BCC) is preparing to collect information from local markets to see whether any particular company,

group or syndicate have been cheating customers to make hefty profits from sale of rawhide and leather goods, said its chairperson, Md Mofizul Islam.

Primarily, if any manufacturer can produce even 10 pairs of shoes from a piece of rawhide and sells each pair for Tk 4,500, the total value stands at Tk 45,000, he said.

If the production costs and other costs are fixed at Tk 3,000 per pair of shoes, the profit is Tk 1,500 from a pair of shoes in the domestic market.

But the price of a piece of rawhide now in Bangladesh is not even Tk 500, he said.

"We will start collecting information soon from the market. If the BCC finds anybody responsible for abnormal price hikes of shoes and leather goods, we will serve notices to them."

"The BCC will also find out whether any syndicate or vested quarter is involved in turning prices of rawhides abnormally low in the country," Mofizul Islam also told The Daily Star over the phone.

The high cost of production and high bank interest rates are resulting in the abnormally high prices of leather shoes in the country, said Mohiuddin Ahmed Mahin, president of the Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association.

Manufacturers do raise prices by an extra Tk 1,200 to Tk 1,500 from the actual production cost of a pair of shoes, which ultimately leads to store prices ranging from Tk 4,000 and Tk 4,500, he said.

"Around 2.50 to 3 square feet of leather is required to make a pair of shoes but another

## Commodity traders face rising finance costs as big banks pull out

REUTERS, London

Commodity trade financing by the world's banks is drying up at a rate not seen in more than 20 years, leaving small and medium sized firms most exposed, banking and trading sources said.

Banks are retrenching after the coronavirus crisis led to defaults by some trading houses, intermediaries in the global movement of oil, metals and agricultural goods which link producers and end-users, and also exposed a series of frauds.

This week Dutch bank ABN Amro, one of the biggest commodity trade financiers, quit the business after it was among the banks worst hit by the \$3.8 billion default of Hin Leong, one of Asia's biggest oil traders.

"These things are cyclical, but now the pendulum is at an extreme not seen since the late 1990s," John MacNamara of consultancy Carshalton Commodities said.

About 80% of global trade is intermediated by trade finance, which covers the loans, most commonly in the shape of a letter of credit (LC), that are crucial for the movement of goods from wheat to gasoline and reduce payment risk for counterparties when cargoes change hands.

Credit facilities allow merchants to juggle multiple transactions, but with competition between banks set to fall, credit costs will rise for trading houses, which are typically highly leveraged and rely on trade finance.

Big banks seeking to reduce trade finance exposure are likely to favour lending to the well established large independent merchants such as Vitol and Trafigura.

Meanwhile, smaller players will likely see their options limited and their credit costs rise as they are forced to turn to second tier banks.

"Banks exiting will create a massive black hole for small traders and will increasingly put the oil market into the pockets of majors," a senior oil industry source said.

Trading and banking sources say others may follow ABN and that some banks have already frozen existing credit lines, letters of credit and new business.

Major traders have been big users of revolving credit facilities (RCFs), where a consortium of banks allow a company to repeatedly borrow up to an agreed upon maximum threshold.

However, banks dislike these loans as they are not only cheap for the borrower but also unsecured, with short maturities of usually no more than a year which must be renewed.

"ABN was not an individual failure but a market failure," MacNamara said, adding that traders had been pushing for cheap, unsecured RCFs at a time when commodity finance does not fit the forward-looking balance sheet modelling regulators require.

Outsourcing had also eroded the experience of back and middle office staff at banks which are key in making checks in less transparent emerging markets, he said.

While traders said losing a credit line would not be felt now, with many boosted by record quarters so far this year due to extreme oil price volatility, the pain will come later when commodity prices recover and credit line usage rises.

Trade houses only tend to use 50-75% of their bank credit lines, leaving a cushion in case commodity prices spike.

"The RCF pool will become smaller and costs will go up. Already we saw a Covid-19 premium in the latest round," a senior banker in natural resources said.

RCFs have short maturities, usually no more than year, and must be renewed. As a result of the coronavirus crisis, banks have asked for higher rates of interest.

## AB Bank puts Aman Feed's factory and land on sale for failure to pay loans

FROM PAGE B4

The company offered a 13 per cent cash dividend in 2019, down from 20 per cent cash and 10 per cent stock dividend announced in the previous year.

As on 30 June, sponsors held 63.26 per cent shares of the company while general public 24.24 per cent and institutional investors the rest, according to the Dhaka Stock Exchange.

"As both AB Bank and Aman Feed are listed companies, we will see if they are doing everything as per the securities rules. We will take steps if they do anything wrong," said Mohammad Rezaul Karim, BSEC spokesperson and executive director (current charge).

Stocks of Aman Feed closed at Tk 29.5 on the DSE on Thursday, up 3.5 per cent from the previous day.

100 kinds of items are also needed," Mahin said. Of those, only thread is available in the local markets and most of the others are imported, he added.

Moreover, the average rawhide sourced from Dhaka is of 25 square feet while 20 square feet outside but the sizes shrink significantly after tanning in factories.

In summer the quality of rawhides deteriorates a lot and the quantity of available leather is significantly reduced. As a result, leather prices go up, he said.

So at the end of the day, the manufacturers fix high prices of shoes because of high gas and electricity bills, salaries and other costs, added Mahin.

Of the cost incurred for making a leather shoe, 30 per cent is for leather and the remaining 70 per cent for accessories, said Md Shaheen Ahmed, president of Bangladesh Tanners Association.

The accessories are pricier than the leather for which the prices of shoes are high in the local markets, he added.

High prices of shoes result form high costs of production, bank interest rates and raw materials like chemicals and salt, said Saiful Islam, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh.

Although the prices of rawhides are low in the local markets, that of tanned leather is not. For instance, a square foot of tanned leather was sold between \$1.70 and \$2.50 over the past two years despite a reduction in rawhide prices, he said.

## StanChart executes Bangladesh's first-ever blockchain LC transaction

MAHMUDUL HASAN

Standard Chartered has executed the country's first-ever blockchain transaction by issuing a letter of credit for Viyellatex, in a development that can go on to make the process of trade, both at local and global levels, much streamlined.

"The whole process was smooth and hassle-free. It's like the transaction on a mobile financial service provider -- you made a transaction through SMS or an app," KM Rezaul Hasanat, chairman and chief executive officer of Viyellatex Group, a top garment exporter, told The Daily Star yesterday.

The entire transaction was paperless and completed digitally by Contour, a global network of banks, corporates and digital solutions, all on one connected decentralised platform leveraging Corda blockchain.

A blockchain is a database that is shared across a network of computers. Once a record has been added to the chain it is very difficult to change. To ensure all the copies of the database are the same, the network makes constant checks, according to Reuters.



Blockchains have been used to underpin cyber-currencies like bitcoin but many other possible uses in areas such as banking and supply chain are emerging.

Under the transaction, Viyellatex -- which exports \$300 million worth of garment and textile items and counts Puma, S Oliver, Espirit, Marks and Spencer and Sainsbury among clients -- imported textile items from Viyellatex Spinning.

Standard Chartered acted as the issuing bank for the applicant as well as the advising bank for the beneficiary of the letter of credit (LC).

Most of the garment exporters source raw materials such as textiles and yarn as well as accessories locally through inland LCs, which involve tedious paperwork.

Normally, Viyellatex has to prepare an application requesting LC and an employee has to go to the bank with the printed application to hand it over.

A designated person from the supplier has to come to the bank as well to receive the copy of the order after the bank's scrutiny.

Later, the supplier submits an invoice after shipping the items and a person from Viyellatex has to obtain it. When Viyellatex gives a nod, the bank makes payment to the supplier.

With Contour, there will be no such paperwork and no need for bank visits. All parties -- buyers, banks, beneficiaries -- involved in the process can perform all tasks simply by logging on to Contour's network.

"It is not cumbersome like normal ones. Besides, it's time and cost-efficient," Hasanat said.

Built on R3's Corda blockchain, Contour provides a distributed trade network enabling an enhanced degree of collaboration across the main elements of trade with all participants leveraging the network to create and renew trade data in real-time.

READ MORE ON B3

## Cheap rawhides have nothing to do with high prices of leather goods: experts

REFAEY ULLAH MIRDHA

That very low prices of rawhides will be able to keep prices of leather goods such as footwear and bags from going abnormally high in the domestic markets is not necessarily true, finds research of the Bangladesh Trade and Tariff Commission (BTTC).

Generally prices of leather goods such as footwear, belts and bags are expected to be very low considering the fact that prices of rawhides, the main ingredient for making leather goods, has been low in the country over many decades.

However, leather comprises less than 5 per cent of the production cost of a pair of leather shoes, according to a senior research officer of the BTTC.

Other costs tend to be high such as those for labour, transportation, branding, administrative and managerial works and running establishments alongside that of bank interest rates and stock lots.

As a result, the low prices of rawhides are not reflected in prices of leather goods in the domestic markets.

Moreover, local leather footwear and leather goods manufacturers have recently turned to making high-end and semi high-end goods for customers as demand for those increased with rising incomes in Bangladesh, the BTTC official said seeking anonymity.

As a result, the prices and comfort of leather goods increased in the country although



COLLECTED

Prices of leather goods have remained exorbitantly high despite that of rawhides remaining next to nothing for long, something industry insiders blame on other factors of production. The photo was taken at an Apex Footwear showroom sometime back.

the longevity of the shoes and bags decreased significantly.

For instance, most leather footwear companies previously used wood to make soles, meaning the bottom part of shoes, which tended to bring about longevity. But nowadays, the soles are made from natural rubber, which costs higher.

Use of non-leather footwear such as sneakers, most of which are imported, has also increased in Bangladesh, the BTTC official also said.

Demand for synthetic or nylon thread-made non-leather footwear is higher among middle and upper middle income people in urban areas. A section of affluent

and health conscious citizens use these items to go to their offices, as a fashion statement or simply for outdoor activities such as running.

Even office-going executives use non-leather footwear items. A significant number of people use non-leather shoes as official shoes because they like casual

attires for going to offices. These changes have come about mainly for changes in tastes in the world of fashion.

As a result, leather shoes are being squeezed out of the markets, which has also had a negative impact on their sales.

This has prompted leather goods manufacturers, especially those with shoe segments, to make hefty profits from sales of a lower quantity of shoes to fewer customers.

Moreover, leather goods manufacturers say they sell goods in bulk quantities only on a handful of occasions around the year such as Eid-ul-Fitr, Pehela Baishakh, Eid-ul-Azha and Durga Puja.

For the rest of the year, they cannot log adequate sales despite having to continually spend money for running their businesses such as for operating showrooms and maintaining employees.

The BTTC blames an organised syndicate for prices of rawhides hovering at abnormally low rates in the local markets over the past two consecutive years.

Moreover, tanners incurred losses of around Tk 500 crore while relocating their factories from the city's Hazaribagh area to Savar Tannery Industrial Estate (STIE) in 2017.

They have been suffering from a cash crunch for this, said the BTTC official who has been conducting research on the leather industries over the years.

READ MORE ON B3

## AB Bank puts Aman Feed's factory and land on sale for failure to pay loans

SOHEL PARVEZ and AHSAN HABIB

AB Bank has put the factory of Aman Feed and its collateral on sale for its failure to pay Tk 268.40 crore in loans and interest within the sanctioned timeframe of July.

"We gave them enough time and talked to them on several occasions, but to no avail. That's why we have put their factory and lands in Sirajganj and Gazipur on auction," said AB Bank's President and Managing Director Tarique Afzal.

The bank estimates that the approximate value of the property, including the factory in Sirajganj and lands in Sirajganj and Gazipur, is more than Tk 70 crore.

Aman Feed, a concern of Aman Group, got the revolving loans to buy capital machinery and raw materials in 2006 when it began commercial production to make poultry, fish, shrimp and cattle feed to cater to the burgeoning poultry, aquaculture and dairy industries, officials said.

Bangladesh needs nearly 65 lakh tonnes of feed per year and the poultry industry is the main consumer.



Aman also has business in poultry breeding and hatchery.

AB Bank said it filed cases against Aman Feed under negotiable instrument law earlier and arrest warrants were also issued against the officials of the company.

The lender had granted Aman Feed time to pay back the loans in a bid to reduce its non-performing loans and improve overall financial health.

"But, as the company did not

### AMAN FEED'S SHARE PRICE HAS BEEN SLIDING THE PAST TWO YEARS



pay back the loans, we have put all its enforceable mortgages on auction," Afzal said.

The bank published notices for selling the property shown as mortgage by Aman Feed's Managing Director Md Shofiqul Islam.

Bangladesh Securities and Exchange Commission had also fined all the directors of Aman Feed except the independent director Tk 25 lakh each in January for violation of securities rules.

Aman Feed got listed with the stock exchanges in 2015 after floating two crore shares to the public and raised Tk 72 crore to use the fund for expansion, loan repayments and as working capital.

The company, however, in its IPO utilisation report submitted to the stock market regulator said all the loans as per the proposal in the initial public offering (IPO) were repaid to AB Bank.

The bank in October last year

issued a legal notice to Aman Feed saying the company has failed to pay the monthly instalments of loans.

A special audit report of MBS and J Partners Chartered Accountants said the company had not used the money properly and provided false information to the stock market regulator.

The bank gave Aman Feed various opportunities, including loan rescheduling facility and interest waiver, Afzal said, terming the company a willful defaulter.

Aman Feed's Chairman Rafiqul Islam did not respond to phone calls and text messages from The Daily Star yesterday.

In the financial year that ended on 30 June 2019, Aman Feed reported Tk 621.68 crore in sales, up 15 per cent from a year earlier.

The company's sales rose 20 per cent year-on-year to 160,870 tonnes in its 2018-19 financial year, according to its annual report for 2019.

Aman Feed's net profit dropped 11 per cent to Tk 47.87 crore in the 2018-19 financial year from a year earlier, while earnings per share also declined.

READ MORE ON B3

## Two-thirds new poor received cash support

Says finance ministry, which looks to prepare a comprehensive database of the poor by December

REJAUL KARIM BYRON

The government has distributed cash support among 35 lakh beneficiaries rendered poor because of the coronavirus pandemic after preparing a database through multi-layer scrutiny of the people who needed it most.

This means two-thirds of the 50 lakh poor families suffering from the economic consequences of the coronavirus outbreak in Bangladesh received Tk 2,500 each, according to a finance division letter.

After the government put in place the countrywide shutdown on 26 March to slow the spread of the rogue pathogen, millions lost jobs.

This prompted the government to allocate Tk 1,250 crore for the 50 lakh poor families whose breadwinners were rendered unemployed.

Rickshaw and van-pullers, day labourers, construction workers, agriculture farmers, employees of shops, people employed at small businesses, poultry labourers and transport workers were supposed to be the targeted beneficiaries.

Prime Minister Sheikh Hasina

inaugurated the government-to-person fund disbursement on May 14.

But the government faced a real challenge when it came to reaching genuine beneficiaries as it did not have a comprehensive database.

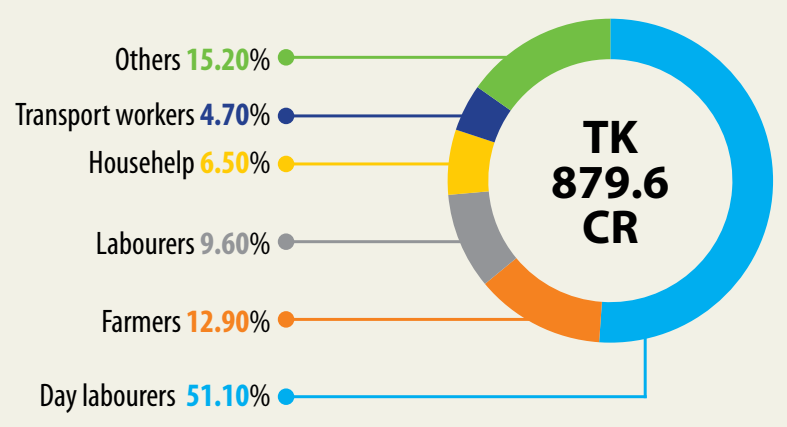
Bangladesh's safety net schemes are historically marred by fragmentation, weak targeting and inefficiency and the weaknesses were again manifested at a time when the poor have been facing possibly the worst crisis in their lives.

The information and communications technology division compiled a list of potential beneficiaries from across the country using inputs from the field-level administrations and scrutinised them through the central aid management software. It sent a list of 49,30,154 people to the finance division in three phases.

The finance division cross-checked it against the databases of the national identification (NID) card of the Election Commission, the Department of National Savings, the post office, the social safety net programmes (SSNPs), pensioners and public sector employees.

### Day labourers got the lion's share of govt's Tk 2,500 cash support

SOURCE: FINANCE MINISTRY



It also took the help of the National Telecommunication Monitoring Cell and the Bangladesh Telecommunication Regulatory Commission.

The finance division struck the names of the 14,32,801 off the list for flaws.

Subsequently, the finance division allocated Tk 89.58 crore among 34,97,353 people through electronic fund transfer, according to a letter of the finance ministry to the Prime Minister's Office.

Of the sum, Tk 34.48 lakh involving 2,331 people came back as the related

mobile phones were not active.

The database was prepared under the finance ministry's project on strengthening public finance management to enable service delivery. The PMO directly supervised the whole work.

The beneficiaries comprise of mostly new poor and they don't receive any support from the existing SSNPs.

When the initiative was rolled out, mobile financial services Nagad, bKash, Rocket and SureCash were each given the responsibility to transfer the funds to 17 lakh, 15 lakh, 10 lakh and 8 lakh account-holders.

Nagad distributed Tk 324.47 crore among 12.9 lakh beneficiaries. Bkash channelled Tk 233.99 crore among 9.3 lakh beneficiaries, Rocket Tk 177.44 crore among 7.05 lakh recipients and SureCash Tk 120.79 crore among 4.8 lakh beneficiaries.

Banks wired Tk 22.88 crore among 90,980 beneficiaries.

Of the beneficiaries, 26,38,899 were male and 8,58,454 female.

The age bracket of 31 to 40 years was the largest beneficiary segment at 33 per cent.

Some 13.64 per cent of the beneficiaries were less than 30 years of age and those in the age bracket of 41 to 50 years made up 26.44 per cent of the beneficiaries.

Those aged 51 to 60 years were 16.68 per cent of the recipients and those aged 61 to 70 accounted for 7.34 per cent of the beneficiaries.

The government has not decided yet whether it would go for distributing the cash support among the rest of the targeted people, said a finance ministry official.

The new database gave the government a basis to come up with a comprehensive list of beneficiaries.

The government is looking to come up with the database by December, Finance Minister AHM Mustafa Kamal told The Daily Star last week.

The database would help distribute support accurately to the targeted groups, he said.

Shubhashish Barua, an assistant professor of the Department of Development Studies at the University of Dhaka, yesterday said it has to be looked into whether those who need it the most received the support.

READ MORE ON B3