

CallCenter

16491

serving you 24/7

Stimulus loans for large borrowers quickened recovery: experts

Fund disbursement to complete by next month: BB

AKM ZAMIR UDDIN

As many as 2,062 large companies have received low-cost loans worth Tk 25,461 crore from the central bank's stimulus package for big borrowers in the industrial and service sectors.

Experts say the quick fund disbursement by the lenders has had a positive impact on the ongoing recovery process of the business sector, which had faced a major setback during the pandemic-induced lockdown.

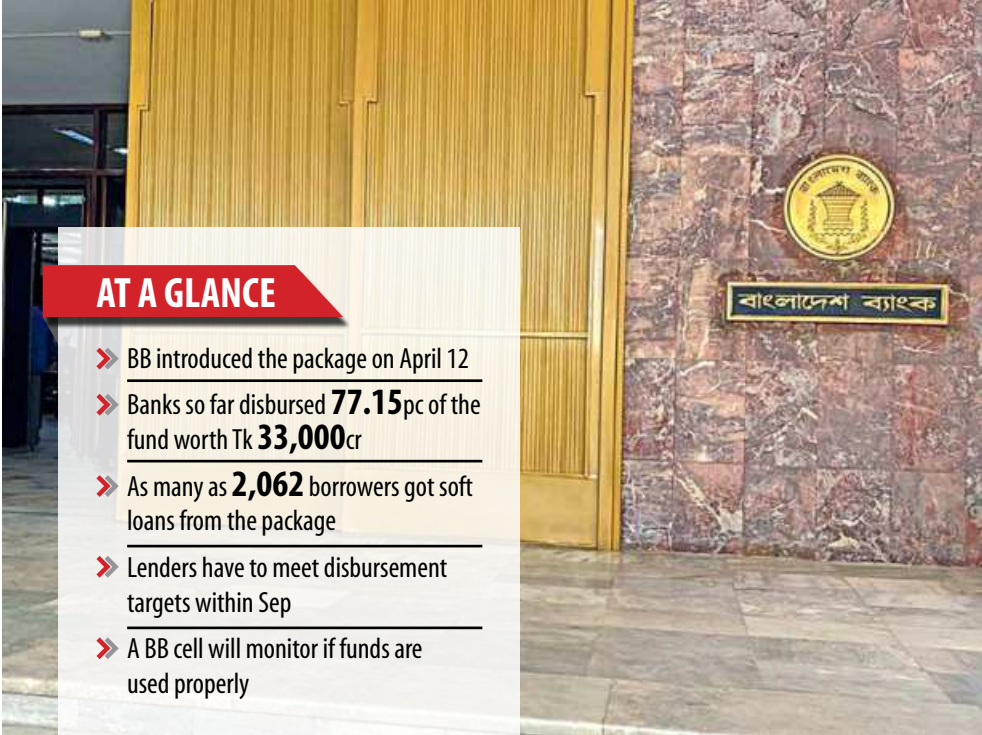
As of September 17, the disbursed fund accounted for 77.15 per cent of the Tk 33,000 crore stimulus package, according to data from the central bank.

"Nevertheless, the central bank should immediately carry out a study to confirm whether the companies are using the stimulus fund properly," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"There is no doubt that the stimulus fund has brought a positive output for the economy. But we have to ensure whether the fund is being used correctly."

Banks were earlier asked to complete distributing the fund within this month but 18 of them are yet to fulfil their targets set by the central bank.

Against this backdrop, the central bank will stop the disbursements through the lenders which will fall short at the end of the month



AT A GLANCE

- ▶ BB introduced the package on April 12
- ▶ Banks so far disbursed **77.15pc** of the fund worth Tk **33,000cr**
- ▶ As many as **2,062** borrowers got soft loans from the package
- ▶ Lenders have to meet disbursement targets within Sep
- ▶ A BB cell will monitor if funds are used properly

and give the responsibility of giving out the remainder amounts to the banks who fared well, said Abu Farah Md Naser, an executive director of the Bangladesh Bank.

The central bank asked the 18 banks on Thursday to send a letter within three working days explaining the reasons behind their poor performance.

"Disbursement of the whole stimulus package will have to be completed within the next month at any cost in the interest of the quick recovery of the financial sector," Naser said.

The financial sector has recovered 60-70 per cent in

recent months and the rest is dependent on the proper implementation of the stimulus packages, said Mansur, also a former high official of the International Monetary Fund.

The garment sector received immense support from the stimulus fund and it may enjoy a full turnaround from the first quarter next year, he said.

The banking sector has been lacking organisation to measure the package's impact in the financial sector, Mansur said.

The banking sector has been lacking corporate governance for years and large borrowers are mainly responsible for the financial health of some banks turning vulnerable, he said.

Naser said the central bank would conduct

TOP BORROWERS THAT RECEIVED FUNDS

(Stimulus package in large industries categories)
In crore Tk; As of Sep 17, 2020

| COMPANY | AMOUNT | BANK |
|----------------------------------|--------|---------------|
| Biman Bangladesh Airlines | 1,000 | Sonali |
| Bangladesh Machine Tools Factory | 115.70 | Trust |
| City Sugar Industries | 100 | Brac and UCBL |
| Century Flour Mills | 100 | IBBL |
| S Alam Vegetable Oil | 100 | IBBL |
| S Alam Cold Rolled Steels | 100 | IBBL |
| Zaber & Zubair Fabrics | 90 | Agrani |
| Square Food and Beverage | 75 | Jamuna |
| Nice Spun Mills | 60 | Agrani |
| Shameem Composite Mills | 50 | Mercantile |
| Shinepukur Garments | 45 | Janata |
| Bextex Garments | 45 | Janata |
| New Dacca Industries | 45 | Janata |
| Escorp Apparels | 45 | Janata |
| Sonargaon Flour and Dal Mills | 30 | City |
| Walton Hi-Tech | 25 | Jamuna |

SOURCE: BB

such a study following the disbursement of the fund.

Of the total distributed fund, lenders have given out Tk 20,057 crore as working capital and Tk 5,404 crore for the payment of garment workers' salaries.

The central bank is now supervising the fund disbursement through a special monitoring cell, which has started taking decisions to complete the distribution in a quick manner, Naser said.

The BB formed the stimulus package on April 12. Large borrowers of the two sectors -- industrial and service -- are each being allowed to avail a maximum of 30 per cent of what they had as working capital in December 2019.

Under the stimulus package, banks will get an interest subsidy of 4.5 per cent on the disbursed loans, which the end-users will avail at 9 per cent.

READ MORE ON B3

17 may lose directorship for failing to hold minimum shares

AHSAN HABIB

Bangladesh Securities and Exchange Commission (BSEC) has decided to remove the directors who still do not hold at least 2 per cent shares of their listed companies although the regulator made it mandatory nine years ago.

As a result, 17 directors from 10 listed companies, namely Bangladesh General Insurance, Eastern Insurance, Fuwang Ceramic, Imam Button, Intech, Meghna Life, Mercantile Insurance, Provati Insurance, Purabi General Insurance and United Airways may be removed for noncompliance.

On November 22, 2011, the BSEC issued a circular making it mandatory for directors of listed companies to own at least 2 per cent shares individually and 30 per cent jointly.

Many directors did not follow the directive, prompting the regulator to come up with another circular in August last year, reminding them of their obligation.

As some directors continued to disregard the laws, the commission

FIRMS THAT WILL SEE DIRECTORS GO

- ▶ Bangladesh General Insurance
- ▶ Eastern Insurance
- ▶ Fu-Wang Ceramic
- ▶ Imam Button
- ▶ Intech
- ▶ Meghna Life
- ▶ Mercantile Insurance
- ▶ Provati Insurance
- ▶ Purabi General Insurance
- ▶ United Airways

issued an order on July 2 this year, giving the nonconforming directors 45 days to hold the minimum shares or face the music.

It ordered 61 directors of 22 listed companies to comply. Some of them have already obeyed the order but

many did not. So, the regulator is going to issue a notice by announcing the posts vacant very soon, according to a BSEC source.

Twenty-five of the directors have already purchased shares or were gifted the required number of shares to keep their post intact.

Eighteen directors left the board as they did not meet the requirement on the minimum shareholding. The rest 17 directors neither bought the shares to meet the quota nor left the board.

"We have seen a huge zeal among many directors to follow the order. But those who are not following the order would face the consequences as per laws," said Prof Shibli Rubayat Ul Islam, chairman of the BSEC, said recently.

"We will be tough about the noncompliant directors."

Some companies are trying to fulfil the requirement of holding 30 per cent shares jointly.

"We will consider if directors who have already started buying shares seek some time to meet the requirement."

READ MORE ON B3



SK ENAMUL HUQ

With shelves stocked to the brim with cosmetics, this shopkeeper emanates sheer determination, pegging his hopes on a return of customers and their fixation on luxury items, backed by the reopening of the economy. The photo was taken at Fortune Shopping Mall in the capital's Malibagh yesterday.

Govt serious about offloading shares of state banks: Kamal

REJAUL KARIM BYRON and JAGARAN CHAKMA

The government has not discarded its plan to offload shares of several state-run banks, said Finance Minister AHM Mustafa Kamal.

"We are seriously thinking about it. We will offload some shares of Rupali Bank first. Then, the shares of other banks would be offloaded gradually," he told The Daily Star in an interview.

The decision to offload the shares of the state-run banks by September came at a meeting on February 9 as part of the government move to prop up the ailing bourses.

As per the plan, an additional 15.2 per cent shares of state-run Rupali Bank would be offloaded first under a secondary offering.

Rupali was listed with the stock exchanges in 1986, with 9.8 per cent of its shares now up for trade. A secondary offering is the sale of new or closely held shares by a company that has already made an initial public offering.

Bangladesh Development Bank is supposed to offload 25 per cent share and Janata and Agrani to offload 10 per cent to a maximum

25 per cent shares.

Kamal said some works have to be done before the plan is materialised fully.

"The balance sheets of the banks have to be prepared anew as per current market prices.



AHM Mustafa Kamal

The valuation of the assets has to be carried out to find out their exact worth and fix the price of the share accordingly," he said.

Kamal said the government will review the budget after the first quarter of the

fiscal year to find out the obstacles facing the implementation amid the coronavirus pandemic and take steps accordingly.

"Of course, no new thing will be introduced in the review. Every quarter, we review the

KAMAL OBSERVES

- ▶ Infrastructure development on track
- ▶ Plans to be revived to offload shares of state-owned banks
- ▶ Exact amount of assets of the banks would be calculated first
- ▶ Boosting gas production will attract investment
- ▶ Investment will pick up once pandemic is over
- ▶ Govt will see whether any black money was whitened due to the amnesty

budget as per laws and it is reflected in the following paragraph."

The parliament passed the Tk 568,000-crore budget for the fiscal year 2020-21 on June 30, which, experts say, may prove difficult to implement amid the coronavirus pandemic.

Kamal has set an ambitious economic growth target of 8.2 per cent and focused on health sector development and economic recovery. He would face challenges to keep the budget deficit in check amid rising expenditure and dwindling revenue collection.

The overall budget deficit is Tk 190,000 crore, which is 6 per cent of the GDP. The revenue collection target is Tk 378,000 crore.

In the first month of the fiscal year, the National Board of Revenue could not show an impressive performance on revenue collection. This prompted the government to borrow around Tk 20,000 crore from the banking system.

The progress of the annual development programme was not impressive either in the first two months of the fiscal year. Development expenditure fell 17.64 per

cent year-on-year in July and 10.18 per cent in August as activities are yet to pick up because of the lingering coronavirus pandemic.

"We have to explore opportunities during the pandemic. We have to be flexible. We will take all the necessary steps to utilise the opportunities," Kamal said.

According to the finance minister, the government has developed the necessary infrastructure to attract investment.

Gas will be increasingly available. The government is purchasing liquified natural gas from the spot market for the first time in order to provide gas to industries.

"We are boosting our capacity to supply gas to heavy industries. Our infrastructure is okay. Once the Covid-19 is over, the investment would start flowing in."

The finance minister said some people criticised the government for reopening the economy, saying the situation would worsen.

The government had decided to resume economic activities while taking measures to contain the spread of the virus.

READ MORE ON B3