

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▼ 0.38%	▼ 0.61%	\$1,883.39 (per ounce)	\$40.46 (per barrel)	▲ 0.25%	▼ 1.50%	▼ 0.02%	▼ 0.20%	BUY TK 83.95	97.43	106.82	12.10
4,963.29	8,507.45			38,067.93	23,185.12	2,466.62	3,218.05	SELL TK 84.95	101.23	110.62	12.72

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BUSINESS

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Huawei trims device business in Dhaka

Smartphone sales to continue through distributors

SOHEL PARVEZ

Chinese tech giant Huawei has significantly trimmed down its device business division in Bangladesh which was directly involved in monitoring its smartphone and other device businesses here, said insiders yesterday.

The development comes as one of the world's biggest smartphone and telecommunications equipment makers faces challenges amid restrictions imposed by the Trump administration.

Yesterday was the last day of office for most officials of the device division of Huawei Dhaka as the tech company plans to monitor its device business in Bangladesh from Malaysia, said industry insiders here.

Smart Technologies, distributor of Huawei smartphones in Bangladesh, will now look after the sales, marketing and business of Huawei's smartphone and other devices, said Md Anawar Hossain, the distributor's channel sales manager.

The tech company reorganised direct monitoring of device business owing to factors including the Covid-19 pandemic, he said.

Huawei used to physically monitor operations and branding here earlier and will now mostly guide Bangladesh's operations from Malaysia, he said over the phone, clarifying that Huawei was not closing its device business here.



It is basically changing operation module, he said, adding that Smart Technologies, which had been handling sales and operations since November last year, would continue to do the device business as national distributor.

Huawei Dhaka office did not comment on the issue.

Huawei had significantly reduced the number of employees in its device division at the end of last year as its smartphone business suffered for a series of US rules that restricted the company from using American technologies, including Google services.

The US Department of Commerce said global chipmakers which had been using US technology now had to obtain a licence from the US government to work on designs for Huawei, reported BBC last month.

And from September 15, the company could no longer buy key chips from its manufacturers, reported BBC on September 23.

Huawei says it had to rush to stockpile chips ahead of the latest tightening of trade restrictions from Washington, which has hit its supply hard, said the BBC.

The restrictions also affected sales of Huawei smartphones here, partly for consumers' falling appetite for Huawei smartphones and an increasing number of smartphone assembling facilities here including of global brands such as Samsung, said industry stakeholders.

A top industry operator seeking to remain unnamed said Huawei became one of the top three smartphone brands in high-end segment within a short time after it had launched its devices in Bangladesh.

It lost significant market share over the past year suffering issues in accessing Google services and for entry of competitors in the market, he said.

Banks' profit soars, on paper

AKM ZAMIR UDDIN

Net profit in the banking sector soared 33.60 per cent year-on-year to Tk 2,424 crore in the first half of 2020 despite a collapse in business and a feeble recovery of loans due to the onslaught of the coronavirus pandemic.

The increase in the profit came at a time when the majority of indicators in the financial sector has been on the decline because of the economic slowdown brought on by the crisis and banks face an uphill struggle to recover both defaulted and unclassified loans.

This led experts to call the jump in the net profit a mirage as the profit has just increased on paper.

The central bank has given a loan moratorium facility to borrowers for this year to help them avoid the default zone.

The ongoing economic hardship and the moratorium facility have put an adverse impact on the loan recovery of banks.

But lenders are transferring the interest of the loans, which is yet to be realised, to their income books enlarging the profit artificially.

Such interest is treated as an accrued interest in banking

norms. Banks are allowed to show the accrued interest as income, but such amounts have to be treated as an interest in suspense if loans become defaulted.

Interest in suspense is a particular kind of asset that may appear on a company's -- or even an individual's -- balance sheet.

It often denotes that a company has money due as the result of a loan, but that its borrower has not paid on the loan per an agreement.

On Monday, the central bank extended the loan moratorium facility. It also indicated that it would instruct how much of the accrued interest could be shown as income for the year.

"The Bangladesh Bank is working on it. Net profit in banks will decline at the end of this year and the banking regulator will issue a clear instruction to this end," a BB official said.

"The central bank should take the issue seriously, or else directors of private banks will enjoy dividends from public deposits," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"It is reported that a good number of directors of banks are involved in financial scams. So, they will try to enjoy more

BANKS THAT SAW HIGHER NET PROFIT IN FIRST HALF OF 2020		
In crore taka; SOURCE: BB		
Banks	First half, 2019	First half, 2020
StanChart	580.55	536.58
HSBC	201.59	365.77
IBBL	320	311.51
DBBL	191.33	216.41
Southeast	256.41	188.09
Bank Asia	124.33	161.01
Jamuna	128.01	159.02
Eastern	152.34	155.06
BRAC	256.40	151.95
Pubali	203.42	146.31
EXIM	78.68	142.41
Trust	104.34	127.37
NCCBL	115.57	111.28
Mutual Trust	82.88	108.54
Shahjalal	105.80	107.40
Premier	119.95	103.86
National	112.48	101.81
Mercantile	162.51	97.27
Sonali	76.97	95.19
City	170.16	90.36

dividends riding on the artificial profit. They should be strictly barred from doing so," he said.

Banks should be instructed to treat actual incomes based on the recovery of loans, Mansur said.

Between April and June, lenders recovered Tk 869.68 crore from their defaulted loans, down from 49.13 per cent three months earlier, according to data from the central bank.

Banks realised Tk 108,288

crore from the unclassified loans in the second quarter, down 31.37 per cent a quarter ago.

The central bank should unearth the actual situation of the economy to take a decision to this end, said Mansur, also a former senior official of International Monetary Fund.

Non-performing loans did not increase too much in the first half because of the loan moratorium facility, said Syed Mahbubur

Rahman, managing director of Mutual Trust Bank.

"This has helped banks keep a lower amount of provisioning against their loans, pushing up net profit," he said.

As of June, defaulted loans stood at Tk 96,116 crore, down 14.50 per cent year-on-year.

Banks should transfer their accrued interest to the income segment by analysing the actual recovery trend of loans, Rahman said.

"The rising net profit will not create any major challenge for the banking sector if dividends can be checked," said Md Arfan Ali, managing director of Bank Asia.

The central bank should give a clear instruction on the distribution of dividends, he said.

Banks will be able to keep more provisioning to tackle tough times if they are allowed to give out a lower amount of dividends than the usual period, Ali said.

Net profit in private commercial banks decreased slightly to Tk 3,292 crore in the first half in contrast to Tk 3,395 crore a year ago.

Profit in foreign banks stood at Tk 1,091 crore, up 12.90 per cent year-on-year.

Between January and June, net loss in the six state-owned commercial banks stood at Tk 76.05 crore, which was Tk 1,588 crore during the same period a year ago, BB data showed.

Three state-run specialised banks -- Bangladesh Krishi Bank, Probashi Kallyan Bank and Rajshahi Krishi Unnayan Bank -- saw their combined net loss doubling to Tk 1,882 crore from Tk 959 crore during the same period a year ago.

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Korean joint venture may build Joydebpur-Mymensingh expressway

TUHIN SHUBHRA ADHIKARY and REJAUL KARIM BYRON

A South Korean joint venture is likely to be engaged in turning the Dhaka-Mymensingh highway into an expressway under a public private partnership (PPP) initiative.

The Cabinet Committee on Economic Affairs yesterday approved a proposal to convert an 87-kilometre section from Gazipur's Joydebpur to Mymensingh into an expressway under a government-to-government contract.

The committee, led by Finance Minister AHM Mustafa Kamal, gave the approval at a virtual meeting.

An expressway is a highway especially planned for high-speed traffic, usually with no or very few intersections, limited points of access or exit, and a divider between lanes for traffic moving in opposite directions.

Prime Minister Sheikh Hasina on March 12 opened the country's first-

ever expressway running from Dhaka to Faridpur's Bhanga upazila. However, users will get the full benefit of the expressway once the construction work of the Padma bridge is complete.

South Korea has already selected three companies -- SK E&C, Korean Expressway Corporation and Lotte E&C -- for implementing the Joydebpur-Mymensingh project. The SK E&C will be the lead company, said an official of the Ministry of Road Transport and Bridges.

The preliminary cost of the new project has been estimated to be Tk 3,353 crore, said an official of the Roads and Highways Department (RHD), adding that the estimate may vary. As the project would not require too much land, the duration of the project will be relatively short, he said.

Under the project titled "Improvement of Dhaka (Joydebpur)-Mymensingh into Expressway with Service Lane on Both

The preliminary cost of the project has been estimated to be Tk 3,353 crore, said an official, adding that the estimate may vary

Sides through PPP," the authority aims to ensure better connectivity between the capital and Mymensingh division, where 10 economic zones will be established, said the RHD officials.

Once complete, this would be the first expressway in Bangladesh with eight lanes -- four main lanes, two emergency and two service lanes, they said. It will also be the first road in the country with dedicated

emergency lanes, they added.

Public Private Partnership Authority (PPPA) and Korea Overseas Infrastructure and Urban Development (KIND), a Korean organisation for providing support to global PPP businesses, signed a memorandum of understanding in April last year.

The RHD submitted two projects and South Korea so far accepted the Dhaka-Mymensingh Highway project, said Shishir Kanti Routh, additional chief engineer of the RHD.

Then the RHD, following the endorsement of the PPPA and through the Ministry of Road Transport and Bridges, recently sent the proposal to the Cabinet Committee on Economic Affairs for "in-principle approval", he said.

Now, an adviser would be hired to carry out a detailed feasibility study and physical and financial assessments before the final contract is signed, he added.

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Make stimulus loans collateral-free for small businesses

Analysts urge BB at a virtual discussion

STAR BUSINESS REPORT

The central bank should make lending to pandemic-hit cottage, micro, small and medium enterprises (CMSMEs) from the stimulus package collateral-free to accelerate disbursement of the fund as many of them are struggling to stay afloat because of a shortage of finances, speakers said yesterday.

Bangladesh Bank should have asked banks not to demand any collateral when it announced the Tk 20,000-crore stimulus package so that a significant number of the cash-strapped CMSMEs could avail the soft loan, they said.

"The central bank should have taken care a lot earlier to help CMSMEs overcome the Covid-19 fallout," said Syed Nasim Manzur, managing director of Apex Footwear Ltd and a core group member of the Citizen's Platform for SDGs, Bangladesh.

"Studies show that the units that availed the money from the fund have benefited," said Debapriya Bhattacharya, convener of the Citizen's Platform for SDGs, Bangladesh and a distinguished fellow of the Centre for Policy Dialogue."

"The CMSMEs are lagging because their voices were not raised strongly with the government's decision-making level."

Industries Minister Nurul Majid Mahmud Humayun asked banks to ease rules and

RECOMMENDATIONS

- BB should ask banks to arrange collateral-free loans for CMSMEs
- Govt should give subsidies in VAT, tax, utilities
- NGOs, micro lenders should be involved in loan disbursement
- Definition of SMEs needs to be updated

KEY POINTS

- Govt announced Tk **20,000**cr stimulus package for the sector
- CMSMEs also contribute to exports
- Number of CMSMEs **7.76m**
- Of them **99.84%** are privately owned
- Of total industrial employment, **80%** in CMSMEs



disburse collateral-free loans to the CMSMEs as the enterprises play significant roles in the national economy.

They made these comments while speaking at a virtual dialogue on 'post-pandemic status of CMSMEs and effectiveness of stimulus packages'.

The Citizen's Platform for SDGs Bangladesh, a platform of non-state actors and their networks and associates, and the Business Initiative Leading Development (BUILD) jointly organised the meeting.

CMSMEs play a significant role in the country's economy and employment generation.

The number of CMSMEs in Bangladesh is 7.76 million. Of them, 99.84 per cent are privately owned, said Abul Kasem Khan, chairperson of the BUILD, in his keynote paper.

Of the total industrial employment, 80 per cent are in the CMSMEs. The units account for 35.5 per cent to 50 per cent of the total employment in Bangladesh.

Tk 59,292 crore are available in the form of loans for the CMSMEs under different categories. Of the sum, Tk 4,120 crore, or 20.5 per cent, was disbursed among 11,183 firms from the Tk 20,000 crore stimulus package for the CMSME.

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