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Bloated NCB bad debt weighs heavy on banking sector

By Inam Ahmed

Despite the financial sector reform programme's major thrust on reducing bad debts of the country's ailing banking sector, the situation has further worsened for the nationalised commercial banks (NCBs).

The classified loans of the NCBs have bloated by 6.60 percentage points to an astronomical 46.98 per cent of their total loans in six months from December 31, 1998 to June 30, 1999.

Sonali Bank, the largest NCB, is through its worst-ever time with 50.09 per cent of the total loans becoming classified. Only six months ago, Sonali's classified loans were 41.91 per cent.

The tailspin of the NCBs and specialised commercial banks have negated whatever gains could be achieved in the private commercial banks' (PCBs) loan position.

The classified loans of the banking system as a whole has increased by 3.83 percentage points to 43.07 per cent during the period. It has surged by 10.19 percentage points year on year till June 30, 1999.

At the same time, the specialised banks have seen a 4.78 percentage point rise in their classified loans during the period. Their classified loans stand at 67.93 per cent of total loans as on June 30, 1999.

In contrast, the PCBs have improved their balance sheets through rigorous supervision and caution. From 32.98 per cent in December, 1998, they have been able to reduce their classified loans to 28.98 per cent in June, 1999.

The condition of the foreign commercial banks (FCBs) remains almost unchanged with 4.19 per cent of their total loans turning classified.

Among the NCBs, Janata Bank has the lowest 41.28 per cent classified loans. But it saw an alarming 8.53 percentage point rise in its non-performing loans during December, 1998 to June, 1999.

Agrani Bank has 47.63 per cent classified loans as on June, 1999, which was 44.13 per cent some six months back.

Rupali Bank's classified loans was 45.32 per cent as in June, 1999, which was 42.47 per cent in December, 1998.

All the four NCBs faced a total of Tk 3,600 crore provision shortfalls.

Among the PCBs, denationalised Pubali Bank has the highest classified loans of 44.72 per cent, which was 39.69 per cent in December, 1998. Among the banks with high classified loan rates are: Uttara Bank (39.53 per cent), AB Bank (30.15 per cent), IFIC (34.02 per cent), NBL (39.82 per cent), City Bank (32.53 per cent), UCBL (33.01 per cent) and Al-Baraka (25.84 per cent).

The mid-range classified loan-holding PCBs are: Islami Bank (19.80 per cent), Al-Arafah (9.98 per cent) and NCCBL (17.91 per cent).

The PCBs with low-range classified loans are: BASIC (6.32 per cent), EBL (7.53 per cent), Prime Bank (1.99 per cent), Southeast Bank (3.51 per cent), Dhaka Bank (2.63 per cent), Social Investment Bank (0.98 per cent) and Dutch-Bangla Bank (0.53 per cent).

Of the FCBs, Muslim Commercial Bank has the highest 24.75 per cent classified loans followed by Credit Agricole Indosuez (15.41 per cent), Habib Bank (8.74 per cent), State Bank of India (6.40 per cent), Standard Chartered (4.05 per cent), American Express (1.65 per cent), ANZ Grindlays (1.44 per cent) and HSBC (0.75 per cent).

Fiatman, whose face has a video monitor and video camera, displays Fiat's compact car, the Punto, at the world's largest Tokyo Motor Show in Makuhari, which started in suburban Tokyo Wednesday. – AFP photo

JB ReadyCash launched

Star Business Report

With an aim to promote secured financial transactions in the country, Janata Bank has introduced a new type of plastic money -- ReadyCash debit card.

ReadyCash card, the first of its kind in Bangladesh, is a joint venture between Janata Bank and a subsidiary of a Los Angeles-based company, American International (Bangladesh) Ltd, will be as good as cash.

Speaking as chief guest at the launching ceremony at Sheraton Hotel in the city on Tuesday, Finance Minister Shah AMS Kibria expressed his hope that the card would help Janata Bank offer specialised customer services, ultimately increasing deposits, investments and employment opportunities in the country.

The inaugural function was addressed, among others, by US Ambassador in Dhaka John C. Holzman as special guest and Bangladesh Bank Governor Dr. M Farashuddin as the guest of honour.

Janata Bank Chairman Mohammad Ali, Director of the bank and eminent economist Dr. Debapriya Bhattacharya, Managing Director Aminul Islam, Director of American International (BD) Ltd. Thayne Whipple and its chief technology officer Philip Lee also spoke on the occasion.

Speaking at the function, Holzman said that he was impressed by the joint Bangladesh-US initiative to promote investment and services in the country.

Dr. Farashuddin observed that the introduction of the new card service would bring changes in the mindset of the people regarding cards instead of cash.

The idea of paying utility bills at a time is also a unique offer of the sponsors, he said, adding that one-stop utility payments could help subscribers significantly.

Emphasising the capacity-building of the nationalised commercial banks (NCBs), Dr. Debapriya termed the launching of ReadyCash card as 'a small step but a big leap forward' of the banking sector in Bangladesh.

Janata Bank Managing Director Md Aminul Islam said the new card system will help reduce cash transactions in the country, as carrying of cash is unsafe. He also said that the bank would install 10,000 ReadyCash terminals across the country over the next two years.

Every ReadyCash card has a four-digit PIN (Personal Identification Number), which will only be known to the card-holder. There is a powerful micro-processor called Smart Chip, which is in fact a micro computer annexed to it. Without carrying currency notes with him, a card-holder can spend the whole amount of money he has got in his ReadyCash account.

Indonesia needs stronger reform, says WB

SINGAPORE, Oct 20: Indonesia needs stronger economic reforms even with the best government in place if it wishes to quickly recover from financial crisis, the World Bank senior vice-president said yesterday, reports AFP.

"It needs to put in place far stronger economic measures and try to follow the lessons of some of the countries that had faster recoveries," Joseph Stiglitz said on the eve of Indonesia's presidential vote on Wednesday.

Stiglitz noted that despite Thailand's "very sound, very solid, very strong government" and effective legal reforms, its economy had not returned to its pre-crisis level.

Thailand, Indonesia and several other Asian economies plunged into recession following a financial crisis which erupted in mid-1997.

Germany to host first meet of G-20 in Dec

BERLIN, Oct 20: The inaugural meeting of the Group of Twenty, an economic forum of the richest nations and those with key emerging financial markets, is pencilled in for December 16 in Berlin, a German official said today, reports Reuters.

The creation of the forum, known as the G20, was agreed to by the Group of Seven (G7) wealthiest industrial powers at a meeting of their finance ministers in Washington last month. They approved a first meeting in Berlin some time in December.

A spokesman for the German Finance Ministry said a firm date would probably be set in the next couple of weeks but that for now December 16 was the provisional target for a one-day meeting of the G20 finance ministers.

The forum is intended to help manage global economic problems and avert a repeat of the financial crisis in 1997 and 1998 which ravaged emerging financial markets in Asia, Latin America, Eastern Europe and elsewhere with knock-on effects in the richest economies.

The G7 countries — the United States, Japan, Germany, France, Britain, Italy and Canada — will be joined by 11 other countries — Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

Row over payment of equipment-handling charges

QC Container Lines operation hinges on spat with CPA

By Inam Ahmed

The deepening feud on a flimsy ground between the Chittagong Port Authority (CPA) and a joint-venture company, QC Container Lines Ltd, shows how foreign investment in the country becomes hostage to corruption, illegal pressure and bureaucratic high-handedness.

The QC Container Lines Ltd, having 15 per cent Commonwealth Development Corporation (CDC) and 10 per cent Deutsche Investitions Gesselchaft (DEG) of Germany equity participation, went into operation in August, 1996, to handle its own containers at the Chittagong Port with a view to avoiding congestion due to equipment shortage.

But it never made an easy sail as the enraged CPA employees and officials found the project negating them the advantage of making some quick bucks.

As a result, the CPA has evoked a clause of the contract, which says that it can cancel the contract with QC by giving a one-month notice without showing any reason.

The port authorities have already suspended QC's operations and asked it to remove all its machinery.

The latest row between CPA and QC surfaced over the question of payment of charges for the use of equipment. CPA continued realising charges from QC at the same rate as it does from the other companies which uses port equipment.

But according to the CPA Schedule of Charges, "if no CPA equipment is used for the purpose of loading or discharging, the fee will be two tenths of the given rate." This means that QC has to pay CPA 20 per cent of the normal charges payable to CPA for its equipment-handling.

However, CPA has its own explanation regarding the charges and says that 20 per cent of the payment comes under especial rebate and according to the contract with QC, it is not entitled to any rebate. As such, the company will have to make full payment even for not using CPA equipment.

But QC contested the CPA observations. According to the CPA gazette notification, all charges fall under section 19 of the CPA Ordinance and the Schedule of Charges of the CPA is under this section. On the other hand, matters relating to rebates fall under section 20, according to which, the authorities may consider reduction of charges.

At one stage of the dispute, QC went to the High Court and won the case. The HC verdict asked CPA to refund the money 'illegally collected' from QC. The matter is now pending with the Appellate Division of the Supreme Court.

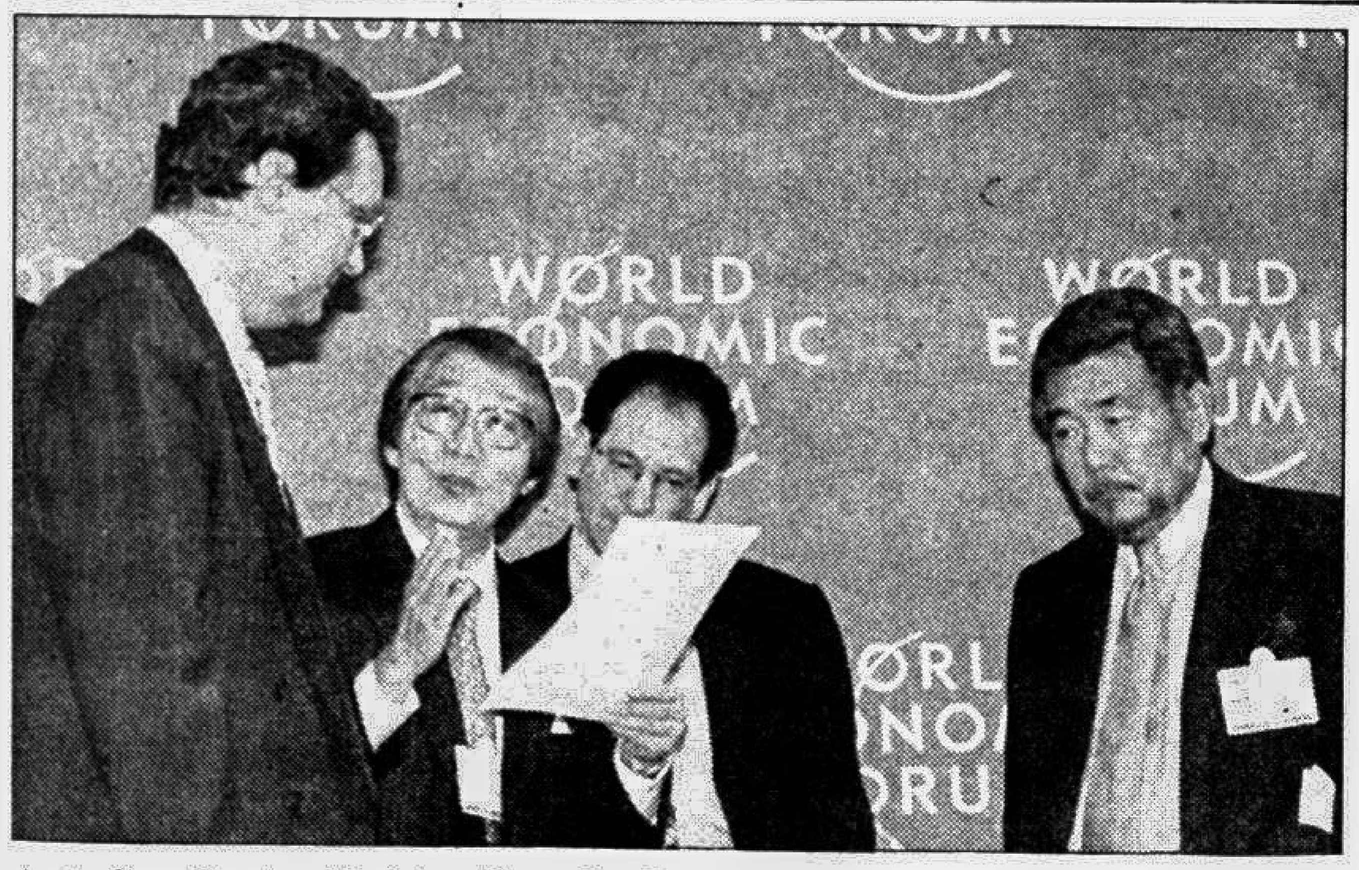
Representatives of the foreign investors – CDC and DEG – also came here upon receiving the CPA's contract cancellation letter. They had talks with the Board of Investment (BOI) and were assured that the matter would be duly looked into. But nothing happened.

The root of contention between QC and CPA, however, goes far back when the company faced resistance from a handful of forklift and crane operators of the port who felt that the introduction of modern equipment by a private company would effectively cut their 'regular extra-official' income.

According to importers, CPA's crane or forklift operators do not even touch any consignment unless they are given a 'handsome *bakshish*' or speed money. Some of these operators, whose monthly salary is around Tk 3000 to Tk 5000 a month, are as rich as to maintain expensive cars and have several houses. The *bakshish* is said to be distributed throughout the rank and file of the CPA. These operators found that private handling of equipment would erode their income.

As a result, the CPA also supported the opposition by operators and did not let QC bring its equipment to the port on the ground of combined bargaining agent (CBA) protest. However, it was later found that the CBA had nothing to do with the resistance against QC and later, it was the dock labourers who themselves escorted the equipment to the port.

Since the very day QC started operating its equipment, it has been subjected to CPA wrath and non-cooperation. Even the Shipping Ministry felt too dwarfed to handle the situation.



Australian Foreign Minister Alexander Downer (L) listens to Tommy Koh (2nd L), Executive Director of Asia-Europe Foundation in Singapore, while Stanley Roth (2nd R), US Assistant Secretary of State for East Asian and Pacific Affairs, and Yoshiji Nogami (R), Vice Minister for Foreign Affairs of Japan, look on before they begin the plenary session at the East Asia Economic Summit in Singapore Wednesday. – AFP photo

7.6m children work in Latin America

CARACAS, Oct 20: There are 7.6 million children between the ages of 10-14 working in Latin America Luis Anderson, general secretary of the Inter-American Regional Organization of Workers (ORIT) said here Tuesday, reports Xinhua.

According to a report by ORIT, 60 per cent of the children were boys and 55 per cent live in rural areas. The ratio of child workers employed in informal sectors and formal sectors are 90 per cent and 10 per cent respectively.

Compared with those young adults who start working at the age of 18, three out of four child workers will have to drop out of their school studies for two years, said Anderson in the report.

Haiti has the highest incidence of child workers in the entire region, followed by Paraguay and Argentina, the report said.

the ORIT, with its headquarters in Venezuela's capital of Caracas, was founded on January 12, 1951, with 33 trade unions and workers organisations in 29 countries in the Americas as it members.

Bangladesh chalks out plan for structured money market

A plan for establishing structured money and bond market in Bangladesh has been drafted under a programme financed by the donors, reports UNB.

A World Bank announcement in Dhaka on Tuesday said the plan had been charted as per the Colombo guidelines framed recently.

In the guidelines, adopted at an international symposium in the Sri Lankan capital organised by IFC, it was agreed to do the needful to create active debt markets in the South Asian countries.

At the meet, a 24-member delegation from Bangladesh agreed to form a consultative group and drafted a road map thereafter to help establish such a money and bond market in the country.

Market specialists, regulators, policy-makers, investors, market infrastructure providers and market intermediaries from across the world and issuers from Bangladesh, India, Nepal, Pakistan and Sri Lanka and representatives of the World Bank, IFC and ADB and FMO attended the moot.

The participants discussed the importance of the bond market and ways to ensure their development. Talks were also held on why fixed-income securities markets are desirable in the emerging capital markets, their status worldwide and where they are headed with specific reference to South Asia.

On return, the Bangladesh delegation agreed to act as a consultative group to felicitate the advent of a structured money and bond market in the country and drafted a road map. Points of the draft are as follows:

— Rationalisation of the interest rate structure whereby the government borrows at the lowest possible rate to create a level-playing field.

— Establish benchmarking and long-term yield curve.

— Provide a legal framework of user-friendly rules and regulations conducive to the creation and development of a market.

— Develop a system of issuance of sovereign papers (sanchaya patras) of different maturities as tradable and transferable securities.

— Fund future infrastructure projects through government and private bonds.

— Lower registration and issue cost of bonds and debentures.

— Create independent credit rating agencies.

— Develop and strengthen market intermediaries such as dealers, merchant bankers and analysts.

— Felicitate education process of market participants, including the investors and issuers.

— Unbundle pension and insurance funds and promote flotation of private mutual funds, especially money market mutual funds.

— Allow investment grade corporation bonds and debentures to form part of SLR of banks

— Facilitate securitization and issuance of asset backed securities and collateralised loan obligations with the backing of multilateral agencies and development of money market instruments.

— Establish central depository and electronic settlement and registration system.

— Upgrade accounting and disclosure standards as well as foreclosure laws.

Weekly Ctg Tea Sale

Market witnesses sharp fall in all prices

CHITTAGONG, Oct 20: The weekly tea sale held here yesterday was marked by sharp decline in prices of all grades of teas as demand from both export and internal buyers was much less, market sources said, reports BSS.

Blenders operated selectively on clean liquoring teas, mostly at a drop of Taka 4 to 5 per kg. But loose tea trade was very subdued. Pakistan and Afghanistan were absent while Poland and Russia showed little interest. There was fair interest from CIS.

Withdrawals were heavy this week due to lack of sufficient interest.

Dusts, were, however, a fairly good market at slightly easier rates, but price levels were mostly higher than those in the leaf catalogue.

Bold brokens met with very limited interest at much lower rate realising between Tk. 55 and Tk 57 per kg, while larger brokens also met with less demand and eased by Tk 2 to Tk 3, selling between Tk 62 and Tk 63 with fair withdrawals. Medium and smaller brokens were initially easier by Tk 2 to Tk 3 but with the progress of sale, demand slackened and prices declined by Tk 5 and above with heavy withdrawals. The plainer types also declined sharply.

Fannings also met with much less demand with heavy withdrawals and declined by Tk 4 to Tk 6 per kg. It initially met with some interest, dropping by Tk 3 to Tk 4.

20 chests of green tea on offer were withdrawn because of low bids.

816 chests and 1,856 gunnysacks of dusts on offer met with a fairly good demand. Well-made better-liquoring peko dusts, red dusts and dusts eased slightly by up to Tk 2 while others including churamoni dust eased by up to Tk 5 and sometimes more for the plainer liquoring types. Internal market lent fairly good support, but was selective. There were 10,354 chest and 13,953 gunny sacks on offer.

S'pore non-oil exports up

SINGAPORE, Oct 20: Singapore's non-oil domestic exports rose a nominal 6.8 per cent from a year earlier, compared with an 8.5 per cent year-on-year increase recorded in August, the Trade Development Board said Wednesday, reports AP.

Economists had expected on average about 4.3 per cent growth for September, although individual estimates varied from a 7 per cent contraction to a 10 per cent rise, a survey by Dow Jones Newswires showed.

Total non-oil exports in September were 9.18 billion Singapore dollars ($ 5.7 billion), compared to 8.41 billion Singapore dollars ($5.2 billion) in August, the board said.

The monthly non-oil domestic export figure is considered a key economic indicator in Singapore, which depends heavily on exporting goods manufactured here. The city-state also exports goods that have been manufactured and imported from other countries.

Tame US inflation data drive Asian stock markets higher

SINGAPORE, Oct 20: Tame US inflation data drove Asian markets higher today. Hong Kong stocks rose over three per cent and Tokyo shares were up 1.7 per cent amid relief September CPI figures met market expectations, reports Reuters.

Jakarta stocks jumped over eight per cent on news President BJ Habibie pulled out from the presidential race.

The dollar broke above 106 yen on active bidding from trust funds amid relief at the relatively benign US core inflation data, seen as encouraging investments in US assets.

Hong Kong's Hang Seng Index was up 2.8 per cent at 12,476.49 and Tokyo's benchmark Nikkei average 1.7 per cent higher at 17,537.08.

"The rise was expected. The market is just following the Dow," said Peter Lai, director at OCBC Securities in Hong Kong.

The Dow Jones industrial average closed 0.9 per cent higher on Tuesday at 10,204.93 after jumping more than 210 points early in the day after news the Consumer Price Index for September rose just 0.4 per cent.

The so-called "core" CPI, which excludes food and energy prices, rose 0.3 per cent, matching economists' expectations.

South Korea's main index was up over two per cent by 0408 GMT and Australia's benchmark All Ordinaries index was up 1.4 per cent to 2,819.3 on wall Street's back.

Singapore's main index was up 2.8 per cent to 2,038.97 with Indonesian stocks dominating interest.

"The Indonesian stocks are all up there because of the Habibie withdrawal," a dealer with a Singapore brokerage said.

Taiwan's opened higher on the Dow but was down 0.3 per cent on worries over the outlook for Wall Street, foreign fund selling, and price falls in dynamic random access memory chips, or DRAMs.

Investors were concerned over a 0.04 per cent decline of the technologies-heavy Nasdaq index, a key indicator for Taiwan's technology shares.

Hong Kong traders said the market still lacked direction and would remain volatile while the US Nasdaq market moved in the opposite direction of the Dow. Hong Kong technology stocks rebounded after coming under heavy selling pressure the past several sessions.

The Philippine main share index snapped a six day losing streak to close 1.4 per cent higher at 2,017.62.

"It's because the market's really oversold and the US has rebounded somewhat," said Gonzalo Bongolan Jr, Associate vice president for research at PCCI Securities Inc.

New Zealand's main index closed up one per cent.

Thailand's composite SET index was up 1.4 per cent in sluggish trade due to bargain hunting in banks and finance shares.

Malaysia's main index was up 0.3 per cent, helped up by a rise in shares of national telephone company Telekom Malaysia.