

Audit finds 9 reasons for Sonali Bank's huge default loans

Wilful default, faulty selection of debtors main problems

REJAUL KARIM BYRON

Wilful default by big borrowers and faulty selection of debtors are among the major causes behind the huge amount of default loans stuck with Sonali Bank, said a special audit on the nationalised commercial bank (NCB).

The draft report revealed nine causes of loan default of Sonali Bank that holds 46 percent of the total default loans of four NCBs. According to the report, both the creditors and debtors are responsible for the non-payment of loans.

Over-valuation of collateral securities and over-invoicing of imports including capital machinery of industrial projects also resulted in loan defaults. Another cause is -- sometimes the borrowers divert the fund to unproductive purposes.

The bank officials are also responsible for the default as they do not choose borrowers carefully and perform regular and intelligent

supervision, the report said. Besides, big borrowers look for advantage of rescheduling and interest remission.

However, some reasons are beyond the control of the bank and the borrowers. The report pointed out reasons like natural calamities, in case of crop loans, and business failures for various problems that contribute to the loan default.

The government assigned ASF Ahmed & Company, an audit firm, under the Nationalised Commercial Bank Restructuring Project to specially scrutinise Sonali Bank that has Tk 4,958 crore default loans as of December 2003.

The report will serve as the basis of a restructuring plan for Sonali Bank, sources said.

The auditor submitted a 600-page report earlier this month in which it analysed 4,093 accounts of 789 borrower groups who hold 86 percent of default loans with the bank.

The analysis shows that 70 percent of the defaulters are from Dhaka while 20 percent from Chittagong. Textiles (34 percent) and garment (17 percent) sectors are the biggest defaulters, followed by food (6 percent), jute (5 percent) and tannery (4 percent).

Rescheduling of loans has become a common practice, the report notes. "Borrowers tend to intentionally avoid repayment of loans to render them stuck-up in order to reap the benefit from rescheduling which is accompanied by some extent of interest remission."

Though infrequently, rescheduling is also allowed more than once, the auditor maintains with the suggestion that rescheduling should be allowed only after exhausting all avenues of recovery -- just short of legal steps and also very selectively.

"There should be a gap of minimum three years between the date

of first rescheduling and the proposed second one," the auditor pointed out.

On the question of public sector default loan, the auditor observed that the defaulting public sector enterprises lack financial discipline and business attitude in their operations coupled with inefficiency and other problems.

"Loans to enterprises under various public sector corporations should be gradually curtailed and brought under banking and financial discipline," it added.

Analysing Sonali Bank's manpower, it found that the bank has 3,500 branches but only 91 managers received formal training in credit management.

The auditor recommended that the bank must be very careful in selecting borrowers and valuation of real estate collateral.

ICB acquires ADB stake in United Leasing

STAR BUSINESS REPORT

The Investment Corporation of Bangladesh (ICB) bought 1,40,000 ordinary shares of the United Leasing Company (ULC) held by the Asian Development Bank (ADB).

The purchase helps the state-owned ICB to acquire 20 percent stake in company. ICB will assume ADB seat on the board of ULC soon.

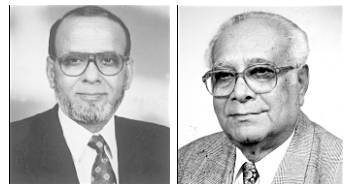
The ADB has already made announcement to the effect to Dhaka Stock Exchange after getting approval from the Securities and Exchange Commission on transaction outside the stock exchange.

The trade has been conducted outside the stock exchange to avoid any market repercussions due to the huge volume of transaction, according to a press statement.

Asset & Investment Management Services of Bangladesh Ltd (AIMS), an asset management company, acted as advisor and authorised attorney to ADB in arranging the deal, first of such divestment and acquisition deal in the country.

Managing Director of AIMS Bangladesh Yawer Sayeed handed over the transfer documents to Managing Director of ICB Ziaul Haque Khondker at a function recently.

BGIC vice chairmen re-elected



Ragib Ali

Kalim Sharafi

Ragib Ali and Kalim Sharafi have been re-elected vice chairmen of Bangladesh General Insurance Co Ltd (BGIC).

They were re-elected at the 91st board meeting of the company in Dhaka recently, says a press release.

BGIC Chairman MA Samad presided over the meeting.

US group decries lack of Asian representation in Fortune list

AFP, Los Angeles

Ethnic-Asians are woefully under-represented on their boards of the Fortune 500 list of top US corporations, Chinese-American leaders said Thursday.

Asian- and Pacific-Americans (APAs) make up about four percent of the US population, but the percentage of seats they hold on the boards of top firms represents only about one-fourth of that number, the Committee of 100 said in its first "report card" on Asian-American corporate representation.

The group said that the lack of Asians on the board of the top global companies represented missed opportunities for corporate America as it is not tapping a significant Asian talent pool.

"We believe this report card makes a compelling case for corporate America to diversify its boards with more Asian-Pacific Americans," said committee Chairman Bob Lee.

ADB raises growth forecast for developing Asia

REUTERS, Berlin

Asia is expected to expand by more than previously forecast this year, with growth outside Japan set to rise to 6.6 percent, the president of the Asian Development Bank (ADB) said Thursday.

In what he described as informal estimates ahead of its official report later this month, Tadao Chino also said he believed Asia, excluding Japan, grew 6.2 percent in 2003.

The Manila-based institute last September forecast growth of 5.3 percent and 6.1 percent for 2003 and

2004 respectively, although upped its forecasts to 5.7 percent and 6.2 percent in December. Chino, in Berlin to attend an Afghanistan aid conference, said he expected Chinese growth to cool to 8.3 percent this year from 9.1 percent in 2003, compared with December's forecast of 8.0.

It foresaw growth in India slowing to 6.3 percent this year after 7.3 percent last year, unchanged from December.

The SARS flu epidemic capped growth in much of the region during the first half of last year, along with the sluggish world economy.

Yoshihiro Iwasaki, the head of the bank's regional economic monitoring unit, said the bank was more optimistic about stronger growth in Asia this year after the end of SARS and with a far more positive global economy.

"Domestic demand (in Asia) is strong and getting stronger... We have had avian flu, but so far that was not as bad as SARS," he said.

"The US recovery was not as convincing as it is now," he added. He noted also Japan experienced its best rate of growth for 13 years in the last quarter of 2003.

India needs to grow at least 8pc to cut jobless: UNIDO

AFP, New Delhi

India's economy must grow a minimum of eight percent every year to dent poverty and unemployment levels, a senior UN official said Friday.

George Assaf, the South Asia chief of the United Nations Industrial Development Organisation (UNIDO), said India had proved its "resilience to shocks" but sustained eight percent growth "was hard and needed changes."

"The economy has reached the magic eight percent growth rate but it remains to be seen whether it's a one-year-wonder based on a bumper monsoon or a breakthrough for India on the way to becoming an economic superpower," Assaf said.

"What is ignored is that eight percent growth may well be the minimum required target to tackle huge unemployment and poverty levels that confront India," he said, at a function to release his book 'Too many with too little.'

The government does not release official unemployment data but an internal government document put the jobless figure at 18.7 million people in 1997 and economists say the figure has risen since then.

India's economy grew 10.4 percent on year in the December quarter, largely thanks to India's best monsoons in a decade that led to an agricultural rebound in the farm-dependent nation of over billion people.

India's Central Statistical Organisation recently said the economy was expected to grow 8.1 percent in the 2003-2004 financial year after expanding just 4.0 percent in 2002-2003 due to a drought in key agricultural states.

A bumper harvest this year is also seen as boosting rural incomes and pushing demand, which in turn will help manufacturing. More than 70 percent of Indians rely on agriculture for income.

Other economists at the function said India's "tired" farm sector would be unable to create the new jobs for India's billion-plus population.

"From agrarian, India's economy has leaptfrogged into being service-dominated -- skipping out on the industrial phase in between," said Subir Gokarn, chief economist of leading domestic credit rating agency CRISIL.

"There hasn't been the adequate transformation in people. Can Indians now be redeployed? Learn new skills? It is critical that enough

people be put to those jobs that are actually going to drive growth."

India's National Association of Software and Service Companies (Nasscom) said the country's burgeoning IT sector was looking at a massive shortfall in skilled manpower.

"The shortfall is expected to be of the order of half a million personnel by 2009, around 23 percent of the industry's requirements of 2.1 million people for the IT and services sectors," said Kiran Kamik, Nasscom president.

"The total manpower needed by the IT services segments will amount to around four to six million by 2012," he added.

Assaf, however, said IT alone was not the answer for absorbing India's working age population.

"The IT sector cannot be the solution by itself. Only labour-intensive industry can do this because agriculture already has a surplus of labour," said the UN official.

India's working age population is expected to rise to 62 percent of the total population by 2015. This population will be largely unskilled.



PHOTO: STAR

A man unloads watermelons from a boat at the Sadarghat Launch Terminal in Dhaka. As summer sets in, huge quantities of the popular fruit are arriving in the capital from Southern districts. Retailers charge between Tk 50 and Tk 80 for a piece.

US report cites broad range of trade barriers

AFP, Washington

The United States voiced concern Thursday over a range of global trade obstacles, from restrictions on beef to subsidies for Airbus to China's effort to impose a new wireless chip standard.

The 500-plus page Report on Foreign Trade Barriers covered a laundry list of issues with 58 major US trading partners. It is a prelude to another report to be issued within a month singling out specific countries and issues that could prompt US retaliation.

"The United States benefits from being a relatively open economy, but American workers, exporters, farmers and businesses continue to face barriers for our world-class goods and services," said Trade Representative Robert Zoellick.

"Day-in and day-out, all around the world, the US government is working aggressively to make sure barriers to US goods and services are removed."

A major focus of the report was China, which tried to shelter weak

industries from foreign competitors, and its bureaucrats apparently could not resist interfering in the market economy, the USTR said.

"Despite its remarkable transformation over the past quarter century, China continues to suffer from its command economy legacy," the report said. This, it said, was impeding the penetration of US firms into China.

China was criticized for failing to protect intellectual property and trading in counterfeit goods. Beijing also uses opaque methods to decide on quotas for imports of US wheat, corn, rice, cotton, wool, sugar, vegetable oils and fertilizer.

The US singled out China's attempt to impose its own technical security standard for wireless computer chips as "a matter of grave concern" that could result in a complaint to the World Trade Organization.

The report weighed in on the new dispute, which is expected to shut US-based Intel Corp. out of the Chinese market for the fast-growing wireless data network technology,

known as Wi-Fi.

For the European Union, the report cited a long history of government support for the Airbus civil aviation consortium and said it would be troublesome if more aid were extended.

"The United States, therefore, is concerned about the prospect for further subsidization of Airbus by EU member states," the report said.

"Any distortions caused by WTO inconsistent subsidies would only exacerbate an already difficult situation for the US large civil aircraft industry."

Japan also figured prominently in the report, citing protection of dominant telecommunications carriers, failure to crack down on bid-rigging cartels, lack of competition for foreign rice and unscientific requirements on foreign foods.

American apples were kept out by the Japanese insistence, in defiance of scientific data, that mature apples with no symptoms can still transmit the fireblight bacteria, the USTR said.

GOLDEN HANDSHAKE 110 dockers at Ctg port apply on 1st day

STAFF CORRESPONDENT, Ctg

One hundred and ten dock workers at Chittagong Port opted to resign on the first day under a golden handshake programme that began here on Thursday to retrench some 1500 dockers.

The authorities launched the retrenchment initiative as some 1500 out of around 4500 dock workers were found inefficient because of old age.

The programme is scheduled to continue until April 30.

During the first day of the programme, the authorities also arrested two fake dockers who were working using other workers' IDs.

Padma Oil Co declares 50pc dividend

Padma Oil Company Limited (POCL), a subsidiary of Bangladesh Petroleum Corporation, has declared 50 percent dividend for the year 2002-2003.

The declaration was made at the company's 34th annual general meeting held in Chittagong recently, says a press release.

POCL Board Chairman Md Rafiqul Islam presided over the meeting.

The company earned a net profit of Tk 75.57 million in the year 2002-2003.

Islamic Finance and Investment declares 10pc stock dividend

Islamic Finance and Investment Limited has declared 10 percent stock dividend for its shareholders for the year ending on December 31, 2003.

The declaration was made at the company's 3rd annual general meeting held at a local hotel on Wednesday, says a press release.

Chairman of the company Abul Quasem Haider presided over the meeting. Among others, vice-chairmen of the company Shibbir Mahmud and Anwar Hossain Chowdhury, Adviser M Azizul Huq and Managing Director Md Rabiul Islam were present.

HP Service holds workshop

HP Services held a workshop for executives of different public and private sector companies in Dhaka recently.

Diederik Howeler, a Dutch national with 10-year experiences, conducted the training, says a press release.

Sandeep Singh Dhami, business development manager of HP Services (South East Asia), and Rumana Hussain, business development manager of PSG, Bangladesh, were present.

The workshop dealt with streamlining the processes of IT services and support.

Midas training course ends

A weeklong training course styled 'Start Your Business' concluded at Midas (Micro Industries Development Assistance and Services) head office in Dhaka recently.

A total of 11 participants took part in the training and prepared individual business plans that match with their personal ability and expertise, says a press release.

The course will help the participants to select viable business plans, covering management, marketing and production aspects.

JOBS training for Mirpur shoe entrepreneurs

A weeklong training course styled 'Entrepreneurship Development and Business Management', conducted by JOBS (Job Opportunities & Business Support), an USAID funded project, concluded in Dhaka recently.

The course, designed for Mirpur shoe entrepreneurs, focuses on business planning, financial management and marketing, says a press release. 11 footwear entrepreneurs from Mirpur area took part in the training.



PHOTO: ISLAMIC FINANCE AND INVESTMENT

Islamic Finance and Investment Limited Chairman Abul Quasem Haider speaks at the 3rd annual general meeting of the company held at a local hotel on Wednesday. The meeting declared 10 percent stock dividend for the year that ended in December, 2003. Among others, vice-chairmen of the company Shibbir Mahmud and Anwar Hossain Chowdhury, Adviser M Azizul Huq and Managing Director Md Rabiul Islam were present.

REUTERS, Singapore

Surely few phrases in international economics are as turgid as trade facilitation.

But none is more topical.

As China's ravenous appetite for raw materials clogs ports around the world, the cost of conducting trade is rising sharply, causing a clamour from businessmen for better transport links, less red tape at customs and more transparent regulations to ease the flow of goods.

Ships in China and India can wait as long as a month for a berth, and up to a quarter of the world's bulk shipping capacity is tied up in port queues, according to industry experts.

Bulk carriers are waiting up to a month to dock in China, adding an estimated \$3 million to the cost of each cargo. Freight rates for dry cargoes have doubled in the past six months.

But Matthew Chan, chief executive officer at Singapore's Jurong

Port Pte, said the problem in some parts of Southeast Asia was not so much the ports as getting there in the first place.

"For cargo to move from factory to port, you spend almost about a day now on the road before it reaches the port, whereas if there's no congestion it takes about an hour. A lot of savings can be achieved if the infrastructure is put in place to facilitate the movement of goods," Chan said.

Coincidentally, a pair of recent studies has tried to put a cost on this sort of bottleneck.

John Wilson and Tsunehiro Otsuki of the World Bank and Catherine Mann of the Institute for International Economics in Washington graded 75 states according to four trade facilitation indicators. Singapore and Finland stood out for best practice.

They then simulated the benefits that countries ranked below average would derive if they carried out reforms that lifted them just half-way to the average for the

whole group.

The results are staggering. The authors calculated that increased port and airport efficiency would increase trade among the 75 countries by \$107 billion; streamlining customs and reducing bribery, by \$33 billion; clearer rules and less corruption, by \$83 billion; and better service sector infrastructure, such as harnessing the Internet to speed business, by \$154 billion.

The combined gains of some \$377 billion would represent an increase of about 9.7 per cent in the countries' total trade, they said in a World Bank policy research working paper.

"Our results point not just to a need to focus on customs, but more broadly to address ports, the regulatory environment and particularly the domestic services infrastructure that support economic activity and trade," the authors said.