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Bad loans up 5.59pc in 3 months

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The volume of bad loans in the country's banking system has increased by Tk 1,125 crore or 5.59 percent in three months to reach Tk 21,223 crore on March 31, 2007 from Tk 20,098 crore on December 31, 2006.

The amount of defaulted loans in the nationalised commercial banks (NCBs) rose by 5.49 percent or Tk 632 crore, while private commercial banks (PCBs) saw an increase of 10.58 percent or Tk 462 crore, recent statistics of the Bangladesh Bank shows.

Defaulted loans in the foreign commercial banks (FCBs) went up by 38 percent or Tk 32 crore and those in development financial institutions (DFIs) by only Tk 2 crore or.048 percent.

Out of the four NCBs, Sonali Bank, Janata Bank and Rupali Bank saw rise in the defaulted loans, while Agrani Bank managed to keep the amount down.

Among the 30 PCBs, default loans of 22 increased during the period. Out of 9 foreign banks, Citibank NA and Commercial Bank of Ceylon Ltd have no defaulted loans. The amount of defaulted loans of individual foreign banks was seen very low during the period and the total amount increased significantly due to the surge in bad loans of only one bank--the HSBC. HSBC's bad loans reached Tk 37.84 crore in March 2007 from Tk 1.39 crore in December 2006, contributing to the foreign banks' overall increased defaulted loans.

Sonali Bank sources said the bank failed to recover a huge amount of bad loans from its big loan defaulters following writ petitions.

The recent anti-corruption drive helped Agrani Bank recover a good amount of loans from its small defaulters during the three-month period, but the bank could not recover much from the big defaulters due to the writ petitions.

However, in the present situation the defaulted loan recovery rate of Agrani Bank is improving gradually, the officials said. The bank recovered Tk 75 crore in cash during the last three months, whereas it recovered a total of Tk 200 crore defaulted loans last year. The bad loans of Agrani Bank were down by Tk 47crore during the last three months.

Rupali Bank's defaulted loans increased significantly by Tk 300 crore to Tk 1,435 crore in March 2007 from Tk 1,135 crore in December 2006. Besides, in 2006, the bank witnessed a rise of Tk 385 crore in its bad loans.

The two main reasons behind Rupali Bank's increasing bad loans are delay in the completion of its privatisation process that began in 2006 and the government's plans to make the bank an international standard one, the bank sources said, adding that the bank is going through a transition period.

Out of the total amount of Tk 1,53,763 crore in outstanding loans in the banking system, the amount of classified loans was Tk 21,223 crore or 13.80 percent on March 31, 2007 compared to 13.15 percent or Tk 20,098 crore on December 31, 2006, sources said.

Classified loans in the NCBs amounted to Tk 12,135 crore or 24.02 percent of their outstanding loans as of March 2007 against Tk 11,503 crore or 22.94 percent in December 2006.

Defaulted loans in the PCBs rose to Tk 4,827 crore or 5.85 percent of their outstanding loans in March '07, which had been Tk 4,365 crore or 5.45 percent in December '06.

Classified loans in the DFIs amounted to Tk 4,147crore or 33.84 percent of their outstanding loans in March '07, which had been Tk 4,145 crore or 33.68 percent in December 2006.

Defaulted loans in FCBs came down to Tk 116 crore or 1.12 percent of their outstanding loans in March '07, which were Tk 83 crore or .81 percent in December 2006.

Khulna investors now under CSE network

As part of its nationwide expansion programme, Chittagong Stock Exchange (CSE) yesterday launched its online trading facilities in Khulna through its broker branch office ICB Securities Trading Company.

At the inaugural function, Chief Executive Officer of ICB Securities Kamrul Islam Asad said residents in Khulna will be able to invest in stock market, according to a CSE press release.

AB Siddique, chief executive officer of CSE, said Khulna has been connected with CSE network through digital data network under wide area network facility.

Allow import of up to 6-yr-old used vehicles

Importers urge govt

STAR BUSINESS REPORT

Reconditioned vehicle importers have demanded of the government to allow them import of used vehicles up to six years old.

They also sought removal of 'discrimination' in the present tariff structure as it charges the old car importers more taxes than the new car importers are charged, expressing their dismay over the dull business they experienced in the last few years due to absence of government policy support.

"As the upcoming budget will be presented by the non-political caretaker government, we hope that a rational tariff structure for the reconditioned and brand new cars would be ensured in the budget," said Abdul Haque, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), at a pre-budget press conference at a hotel in Dhaka yesterday.

He lamented that although the reconditioned cars grab almost 85 percent of the total market share, the importers of these cars are to pay duties ranging from 13.48 percent to 47.74 percent, an amount that is much higher than the amount the new car importers pay.

On the other hand, following the withdrawal of the ban on import of any reconditioned vehicle in 2002, the import was limited to up to 4-year old 1649cc used vehicles.

And then, a vested interest group grabbed the local car market by importing huge brand new cars, alleged the reconditioned vehicles importers.

They demanded that any restriction should go and like brand new cars import of all types of used cars be freely allowed.

They also sought a 50percent depreciation on 87.01 to 87.04 HS-code 4-year old cars.

They proposed that a lower tariff rate should be set for importing microbus and pick-up, truck and delivery van in the next budget.

"Reconditioned pick-ups, trucks and delivery vans have always played a significant role in transporting products of export-oriented industries as well as farm products. But the present policy discourages import of these vehicles," said the Barvida president.

When the new cars are imported through pre-shipment inspection (PSI), the importers of the Japanese reconditioned vehicles need to use the exporting country's domestic yellow book to see the price and determine the tax payable, he pointed out.

"This system also hampers the level plying field in the local car market as only 20percent depreciation has been allowed to import 4-year old cars, which was 50percent before 2002," the Barvida president said.

Haque said, "The present policy allows importing up to four-year old cars and thus pushes prices of reconditioned cars abnormally high. The government should allow import of up to six-year old cars to help reduce the prices".

Criticising the present taxation policy, the Barvida president said in the case of one year old car, the depreciation is estimated at 0 percent, 10 percent for two-year and five percent for three- and four-year old vehicles. "So, the duties on four-year old and three-year old vehicles are almost the same."

All these taxation policies are the main reasons for increasing the prices of reconditioned vehicles, Haque observed.

Dr Mustafizur Rahman, chairman of the Institution of Development Studies (IDS), Md Abdul Hamid Sharif, the Barvida secretary general, and Anwar Hossain, former president of the Barvida, were present at the press conference.

27th branch of Bank Asia opens at Mohakhali

The 27th branch of Bank Asia was inaugurated yesterday in 82 Mohakhali Commercial Area, Dhaka, says a press release.

Power, Energy & Mineral Resources Adviser Tapan Chowdhury inaugurated the new branch. Chairman of the Bank M Syeduzzaman presided over the function. Vice-Chairman Arifur Rahman Sinha, directors Shafique Uddin, Murshed Sultan Chowdhury, and Monowara Haque and President and Managing Director Syed Anisul Huq, among others, were present.

Bank Asia now offers a wide range of financial services that cover the entire spectrum of banking operations. It has already launched SMS, ATM and internet banking facilities under its online platform to deliver quality services to its clients.

Bank Asia's network covers areas of Dhaka, Chittagong, Sylhet, Khulna, Rajshahi, and Noakhali.

PHOTO: BANK ASIA

Power, Energy & Mineral Resources Adviser Tapan Chowdhury inaugurates the 27th branch of Bank Asia at Mohakhali in Dhaka yesterday. Chairman of the Bank M Syeduzzaman, Vice-Chairman Arifur Rahman Sinha, directors Shafique Uddin, Murshed Sultan Chowdhury, and Monowara Haque and President and Managing Director Syed Anisul Huq, among others, were present.

Pakistan to post 7pc growth

AFP, *Islamabad*

Pakistan's economy is set to post robust growth of 7.02 percent in the fiscal year to the end of June, Prime Minister Shaukat Aziz said Monday.

The figure compares with 6.61 percent last year and is due to growth in agriculture, services and large-scale manufacturing in the Islamic republic of 160 million people, he said.

"This is, mashallah (thank God), very robust growth as compared to the last year and this is the result of the government's economic policies," Aziz told reporters.

"Our target was 7.0 percent so this is slightly above that, and it is further going to increase after revision," added Aziz, a former finance minister and Citibank executive.

"We are heading in the right direction."

Wolfowitz blames media for resignation

AP, *London*

Departing World Bank President Paul Wolfowitz in a radio interview broadcast Monday blamed an overheated atmosphere at the bank and in the media for forcing him to resign.

Wolfowitz, who has announced he will step down June 30, denied suggestions that his decision to leave was influenced by an apparent lack of support from the bank's employees.

"I think it tells us more about the media than about the bank and I'll leave it at that," he told the British Broadcasting Corp. "People were reacting to a whole string of inaccurate statements and by the time we got to anything approximating accuracy the passions were around the bend."

Wolfowitz said that he was pleased the bank's board accepted that he had acted ethically, and in good faith in his handling of a generous compensation package for his girlfriend and bank employee Shaha Riza in 2005.

"I accept the fact that by the time we got around to that, emotions here were so overheated that I don't think I could have accomplished what I wanted to accomplish for the people I really care about," he said.

By tradition, the United States the bank's biggest financial contributor names an American to run the institution.

Wolfowitz's departure ends a two-year run at the development bank that was marked by controversy from the start, given his previous role as a major architect of the Iraq war when he served as the No. 2 official at the Pentagon.

Beximco Pharma starts exports to Papua New Guinea

Beximco Pharmaceuticals Ltd has started supplying medicines to Papua New Guinea, one of the five LDCs of Oceania, says a press release.

Beximco Pharma Chief Executive Officer (CEO) Nazmul Hassan said, "Commencing export to Papua New Guinea is a part of the company strategy to extend its presence in the LDCs."

Papua New Guinea is the 7th LDC after Myanmar, Nepal, Bhutan, Cambodia, Rwanda and Somalia where the company has entered.

As per the Doha Declaration of WTO/TRIPs agreement, all the least developed countries are exempted from pharmaceutical patent until 2016. In line with this all the LDCs can legally manufacture patented drugs and export to other LDCs.

Berger Paints approves 110pc cash dividend

Berger Paints Bangladesh Ltd yesterday approved 110 percent cash dividend for its shareholders for 2006, says a press release.

The dividend approval came at the 34th annual general meeting of the company held in Dhaka.

Chairman of the company Gerald K. Adams presided over the AGM, which was also attended by directors KR Das, Anil Bhalla, Subir Bose, Jean Claude Loutreuil, Abdul Khalek, and Rupali Chowdhury and Managing Director Masih Ul Karim.

Google chief to talk business in S Korea

AFP, *Seoul*

The chief of the world's top Internet search engine Google will visit South Korea this week to discuss business cooperation with local partners, officials said Monday.

Eric Schmidt is scheduled to hold separate talks Tuesday with Seok Jong-Hun, president of South Korea's second-largest portal Daum Communications, and with Kim Shin-Bae, president of top local mobile carrier SK Telecom.

Japan aims to reinvigorate Tokyo as global finance hub

AFP, *Tokyo*

Faced with growing competition from Hong Kong and Singapore, Japan aims to reinvigorate Tokyo as a global financial hub with a lofty goal of developing a new foreigner-friendly high-rise banking district.

The idea has raised eyebrows among foreign fund managers in the region whose biggest complaint about Tokyo is often not the lack of a decent office or apartment but high taxes and strict regulations.

Yuji Yamamoto, the minister for financial services, recently unveiled a plan for Tokyo's own version of London's Canary Wharf, a gleaming skyscraper banking district in once-derelict British docklands.

High-rise offices with 24-hour access and onsite health clubs would be developed along with housing complexes to encourage foreign banks to cluster in the capital around the Tokyo Stock Exchange and Bank of Japan.

But Yamamoto did not say whether Japan would tackle high taxes and red tape, the most common complaints about Tokyo from fund managers, many of whom opt to work in Singapore or Hong Kong instead even if they manage Japanese stocks.

"Building buildings doesn't create a financial system," said one fund manager based in Singapore who asked not to be named because it could be bad for business.

"Japan has an unfavourable tax regime both for financial products and the individual. The overall operating environment in Japan is unfavourable because there is a deep suspicion of capitalism," he added.

PHOTO: BERGER PAINTS

Chairman of Berger Paints Bangladesh Ltd Gerald K. Adams presides over the 34th annual general meeting of the company in Dhaka yesterday.

$4.5b forex reserve: Kudos to unsung heroes

MAMUN RASHID

Our foreign exchange reserve crossed the US$ 4 billion mark for the first time in early March, now stranding at almost $4.5 billion despite settlement of highest ever ACU (Asian Clearing Union) payments of $370 million. This is soon likely to be $5 billion with release of the latest trance of development support credit (DSC) from the World Bank and possible receipt of the Rupali Bank sale proceeds along with increased remittance and export receipts. Due to the inherent nature of our negative trade balance, the FX reserve has traditionally been ailing; it fell to an alarming level of nearly $1 billion in October 2001. Credit goes to the RMG and NRBs remittance sectors for reaching this milestone. Despite continuous hurdles, RMG has proven to be a resilient sector while the continuous reforms in the banking sector moved NRBs away from the informal channels of money transfer with higher number of Bangladeshi workers abroad providing additional boost. The country's exports and remittance sectors have shown a robust growth of above 20 percent and 30 percent during the July-March period of the Fiscal Year 2007.

We do not see any reasons to rejoice while assessing ours compared to other countries of our likes. However, some corners deserve a pat on the back for maintaining the strong upward trend amidst soaring commodity prices in the international markets while at the same time the dare measure of floating the BDT exchange rate has been taken. The following table indicates our weak position compared to others.

While the world's highest FX reserve is held by the mighty China surpassing the trillion-dollar mark last year, our 4 billion may seem tiny. However, A country's FX reserves if sufficient to cover for 3 months of its foreign obligations, is accepted as safe. This gives comfort to the foreign investors of the repatriation capacity of a particular country. Historically our reserves have been barely at that safe level or marginally lower. At present with the reserve at a level over USD 4 billion, covers for over 3 months of imports. We must bear in mind that the 3 months import coverage of our reserve is a dynamic number with the imports growing almost 20 percent on a year-on-year basis for the past few years. With growing exports and remittances at 20 to 30 percent plus rate, we can even reach higher levels of coverage.

High level of reserve helps attract new foreign investments. While good level of reserve attracts FDIs, new FDIs provide further boost to the reserve resulting in a movement in a cyclic direction. We can take the example of continuously growing FX reserve of India where the reserve at the end of April was $200 billion (excluding gold) compared to $170 billion at the end of 2006 and the FDIs are constantly growing. In our case too in the recent years, we have seen encouraging progress in similar direction with both new FDIs as well as reinvestments. A question has been raised by some of our intelligentsia whether this high reserve (though it is very meager by any standard and especially against the huge potential Bangladesh economy offers or seasonal crisis it may face) has been built up at the cost of the private sector growth or other growth sectors of the economy. It will possibly be an injustice to Bangladesh Bank, if we believe so. Bangladesh Bank was not seen buying dollars from the market as frequently as we have expected to them to do, at times to support the falling dollar in order to maintain the momentum of export and remittance growth. Rather banks suffering from excess FCY liquidity at times went to the central bank to square up in excess of the open position limit dollar holdings. However, one should not also forget that, like all other countries (what we see all the time being done by G-7 countries), it is the job of the central bank to support dollar as and when required. If Bangladesh Bank would not have supported dollars during the time of excess liquidity in the inter-bank market, we could have seen dollar at 63-65 taka even, which could be damaging for our growing exports and especially remittance of non-resident earnings through official channel. Planned way of managing forex also helped the central bank, to maintain an optimum exchange rate of (+-) 70- taka to a dollar.

Bangladesh Bank has been maintaining a strictly steady course since it started its voyage of reforms. The central bank governors have been like on a relay race continuously passing the baton to the successor who has been strong in navigating at the same course even during turbulence. Policies have remained consistent with drive for completion of missions of the predecessors. FX and monetary policies have been managed dispassionately with specific consideration of a developing nation like ours. One result of that is Bangladesh being one of the few countries to have managed to weather the Asian crisis of the late 90's. A standing ovation is due to Allah Malik Kazemi of the central bank for his courageous and professional pursuance of the FX and monetary policies for nearly the past two decades helping overcome crisis periods despite continuous reforms and deregulations. This career central banker has dedicated his life, all his wisdom, commitment and passion to build up an institution (especially a robust forex regime) against all odds. Now looking back we all, as Bangladeshis, take pride of a resilient central bank, a strong FX position for which he has been one of the architects to have decisively maintaining a low key, yet his presence has been very much imposing to us, especially who are engaged in financial sectors, through his guidance and presence of mind in formulating numerous prudent and timely policy making. At this cross roads of the future of the country, when we are finding it difficult to have "knowledge leaders" tested over time and situation, we pay our very humble tribute to this brilliant central banker who should be remembered by the nation for his contribution towards the reform of financial and monetary policies, which reflected the much needed reflection of reality stemming from global changes to equip us towards facing the highly competitive world.

This last paragraph is to bid farewell to an individual, an unsung hero (like many outstanding public servants, who could not defend their activities in public due to usual constraints), who has worked as the architect and even at the level of a daily labour to have pursued our reforms and built our FX reserves brick-by-brick over the past two decades. Though the current state of the private sector of our country doesn't seem to be well positioned for the most appropriate use of this resource of global stature, we need to ensure the utilisation of his talents for the benefit of this country rather than seeing entities or institutions across the border taking advantage. It is often felt by various quarters that we have an acute shortage of knowledge to reinforce the current government's strive to curb financial crimes; given this, we must not allow any qualified and focused resource to relax or get lost in the oblivion.

The writer is a banker

(USD billion)

	GDP	Import	Foreign Trade	Foreign Exchange Reserve	Import Cover (Months)
Bangladesh	64	16	29	4.5	3.3
Pakistan	100	27	43	13.8	5.5
Sri Lanka	20	8.5	14	2.8	4
Vietnam	60	52	100	15.0	3.5
Indonesia	352	73	176	49.2	8
Philippines	87	43	85	25.0	5
Egypt	76	24	39	20.0	10
Nigeria	72	26	78	43.5	14

Source: Reuters