

Stocks	
DGEN	▲ 1.31% 8,838.09
CSCX	▲ 1.09% 16,015.14
Asian Markets	
MUMBAI	▲ 0.72% 19,992.70
TOKYO	▲ 1.81% 10,168.52

Gonoshasthaya Grameen Textile sued

OUR CORRESPONDENT, Sirajganj

Social Islami Bank has filed a suit against Gonoshasthaya Grameen Textile Mills for not paying off a Tk 3.66 crore loan in time.

Md Sadequl Islam, Sirajganj district branch manager of the bank, filed the suit with Sirajganj Artha Rin Adalat (money loan court) on Wednesday.

The mill apart, 12 people were made defendants, including Managing Director Saiful Islam Shishir and directors Dr Muhammad Yunus and Dr Zafarullah Chowdhury.

The court of judge Matur Rahman took the suit into cognisance. Md Nurul Amin, Social Islami Bank's counsel, said the bank filed the suit, as the mill did not repay the loan although a legal notice had been served against it.

Asked, Managing Director of Gonoshasthaya Grameen Textile Mills Saiful Islam Shishir said he was unaware of the money suit.

Banks cash in on SME loan definition

SAJJADUR RAHMAN

In the first nine months of this year, the banking sector exceeded the whole year's target for giving loans to small and medium enterprises (SME) -- but only thanks to a new definition of SME loan, according to some bankers.

The bankers said the definition included existing non-SME portfolios as SME loans, helping raise disbursed funds to Tk 38,283 crore against a target of Tk 23,995 crore.

"If a trader borrows Tk 10 crore, it can be mentioned as medium enterprise loan because of the definition," said an official with the SME credit department of a private bank.

He said many banks have shown their loans up to Tk 15 crore as SME credit, which exaggerated the disbursed figure.

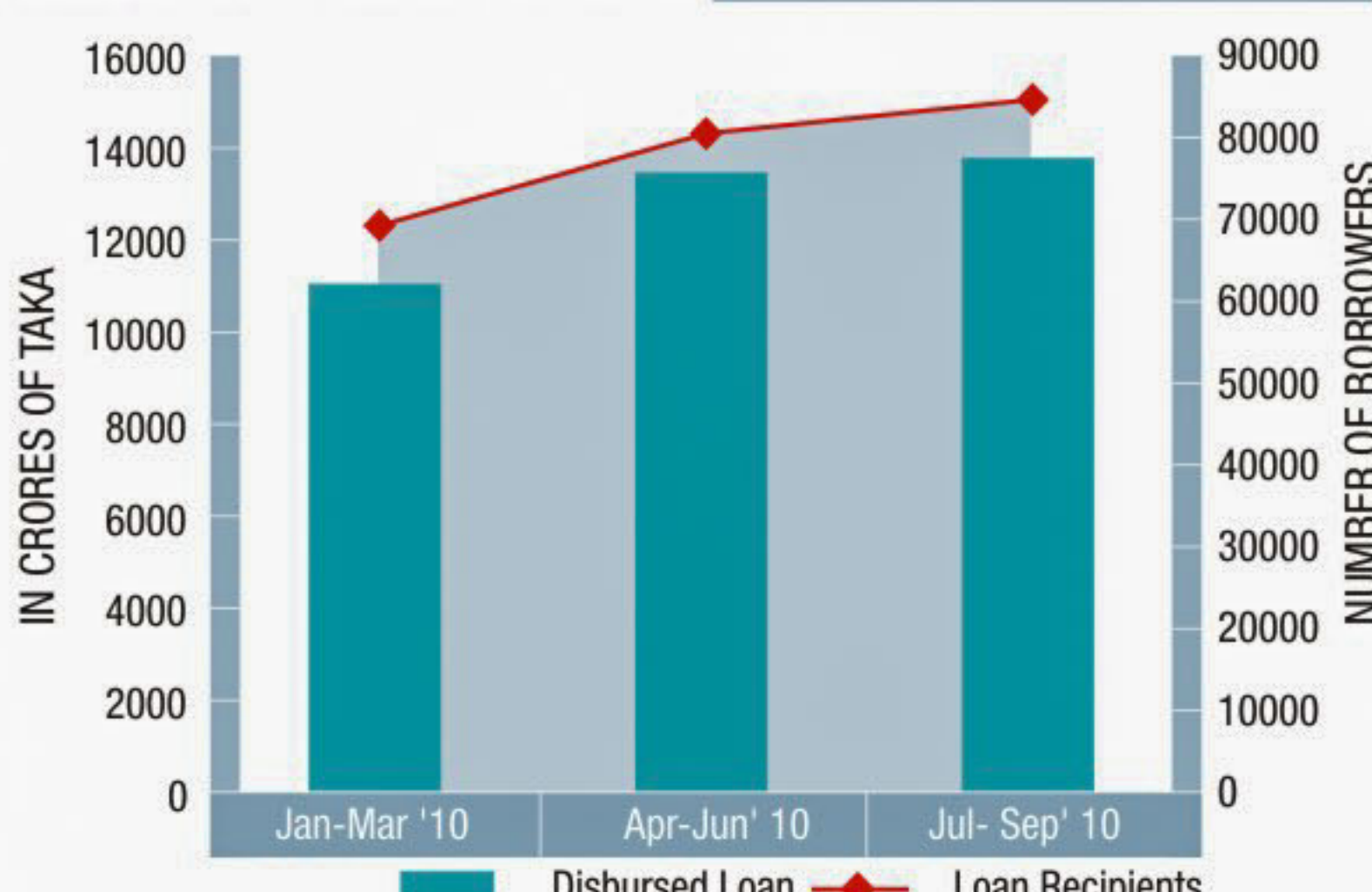
Bangladesh Bank data shows less than Tk 15,000 crore was lent to the SMEs in 2009.

The central bank redefined SMEs and loan limits last year, and directed the banks to give priority to small enterprises and women entrepreneurs. The loan limit for small entrepreneurs was set at Tk 50,000 to Tk 50 lakh.

For the medium enterprises no limit has been mentioned. The banks decide the amount for such entrepreneurs on the basis of need.

"Disbursing Tk 38,283 crore to the SMEs in nine months is absurd. If this amount of money was lent to the SMEs, there would be a huge impact on the economy and employment," said a senior official of a private bank.

SME LOANS IN SPOTLIGHT



"How can there be such a demand without any new gas and electricity connection this year?" he asked.

The banks have a financial incentive to exaggerate the SME loan figure.

"Provisioning and capital adequacy demand is less for the SME loans than for others," said Shahjahan Bhuiyan, managing director of United Commercial Bank.

According to the bankers, if a bank keeps 125 percent provisions against loan to an unrated borrower, it would be 60 percent for the SMEs.

The central bank governor, Atiur Rahman, said the Bangladesh Bank (BB) has set the SME definition in line with the country's industrial policy.

"We will strengthen monitoring to check whether other sectors' loans are included as SME credit to get advantage," he told The Daily Star.

Although there are no exact figures, sector people said the estimated number of SMEs in the country at 4 to 5 lakh.

According to Bangladesh Economic Review 2009, the SMEs are the largest sector in terms of employment generation, even though they are about 6 percent of the country's \$100-billion economy.

Aftab ul Islam, chairman of SME Foundation, said the SME sector now contributes up to 25 percent of the country's GDP, about 40 percent of manufacturing output, 80 percent of industrial jobs, and nearly 25 percent of the total labour force.

Currently, the banks charge the SMEs interest rates between 14 percent and 20 percent. The central bank wants the rates to come down to a single digit.

sajjad@thedailystar.net

New move to rein in suspect loans

REJAUL KARIM BYRON

The central bank has taken another move to stop the commercial banks' unauthorised involvement with the stockmarket.

Bangladesh Bank yesterday instructed all commercial banks to recover by January 15 the loans of Tk 1 crore or above that were diverted from the sectors shown in credit proposals to other areas. BB issued a letter to the chief executive officers of the banks.

In the letter, the BB asked the banks to make spot investigations on their own to identify the diverted loans and report to the central bank.

The BB said if any irregularity is detected in the central bank's inspection later, the CEO will be held personally responsible and legal action will be taken against him.

The letter also said, in recent times it has been noticed that some borrowers instead of using the loan in the sector for which it was taken, invested the amount in other sectors, which is having an adverse impact on the economy.

In this regard, the central bank said it issued a circular on November 4 asking the banks to intensify efforts to monitor whether the loans were properly used.

Despite the issuance of the order, the central bank had reports that the directive was not followed properly. The information the central bank sought from the commercial banks includes: the name of the borrower who diverted the loans, name of the bank branch, amount of the loan, and in which sector the loan was diverted and the bank's version in this regard.

A BB official said they found that loans taken for industrialisation and buying commodities have been invested in the share market. They have already detected such irregularities involving Tk 34 crore in two bank branches.

Besides, in some other investigations it was found that loans of more than Tk 50 crore were diverted to the stockmarket.

The BB official said, after getting information from the banks they will launch special drives. During the drives, the inspection teams will see whether industrial loans of Tk 20 crore or above have been diverted to the stockmarket.

The central bank received allegations that even money in vaults of different banks were being invested in the share market. About 50 special teams visited different bank branches in Dhaka and Chittagong on Wednesday in this regard.

This is the first time that the central bank conducted such drive in the country. However, in the primary findings the teams could not get any clue of money in bank vaults being invested in the share market.

In recent times, the banks in a bid to make quick profit leaned to the share market like the general investors.

Businessmen and economists in different seminars expressed concern over the trend. They said if the banks lean towards investing in the share market instead of investing in the real economy like industry, trade and export-import, it will hamper industrialisation, employment generation and economic growth.

In this context, the central bank has taken various steps over the past several months to discipline the banks.

The central bank issued a circular on November 4, asking banks to intensify efforts to monitor whether the loans were properly used

India's food inflation eases to 18-month low

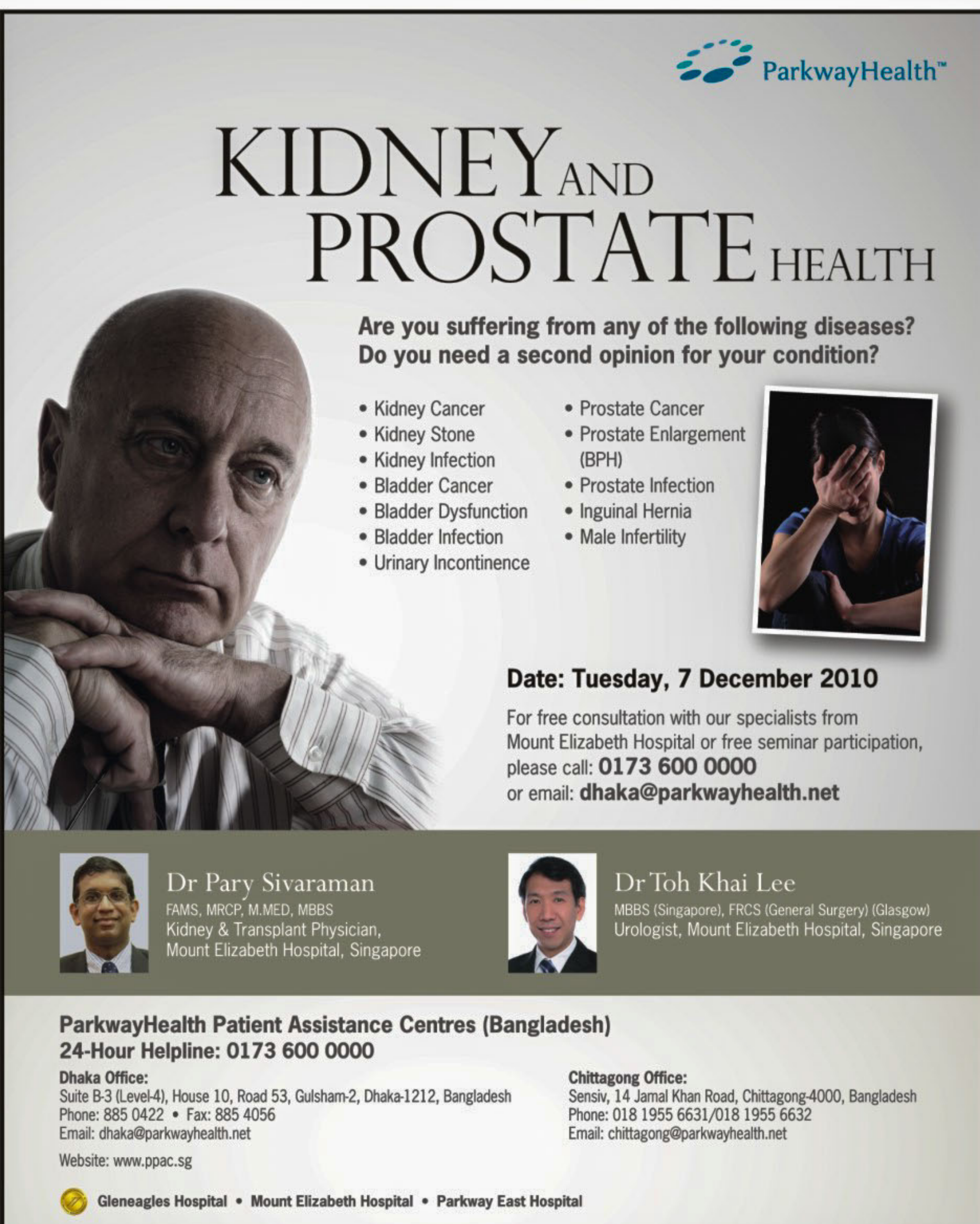
REUTERS, New Delhi

India's annual food inflation eased to its lowest level in 18 months in the year to Nov 20, pressed down by lower prices of potatoes, pulses and vegetables.

Food inflation eased for the seventh straight week under a new data series, pushed down by normal monsoon rains and new crop arrivals in the market.



KAZI FARMS RUNS
sysnova ERP
for all purchases, inventories, manufactures, sales, payroll and accounts (daily income statements and product costing).
Customized from Adempiere open-source ERP.
www.sysnova.com



ParkwayHealth™
KIDNEY AND PROSTATE HEALTH
Are you suffering from any of the following diseases?
Do you need a second opinion for your condition?

- Kidney Cancer
- Kidney Stone
- Kidney Infection
- Bladder Cancer
- Bladder Dysfunction
- Bladder Infection
- Urinary Incontinence
- Prostate Cancer
- Prostate Enlargement (BPH)
- Prostate Infection
- Inguinal Hernia
- Male Infertility

Date: Tuesday, 7 December 2010
For free consultation with our specialists from Mount Elizabeth Hospital or free seminar participation, please call: **0173 600 0000** or email: **dhaka@parkwayhealth.net**

Dr Pary Sivaraman
FAMS, MRCP, M.MED, MBBS
Kidney & Transplant Physician,
Mount Elizabeth Hospital, Singapore


Dr Toh Khai Lee
MBBS (Singapore), FRCS (General Surgery) (Glasgow)
Urologist, Mount Elizabeth Hospital, Singapore

ParkwayHealth Patient Assistance Centres (Bangladesh)
24-Hour Helpline: 0173 600 0000

Dhaka Office:
Suite B-3 (Level-4), House 10, Road 53, Gulshan-2, Dhaka-1212, Bangladesh
Phone: 885 0422 • Fax: 885 4056
Email: dhaka@parkwayhealth.net
Website: www.ppac.sg

Chittagong Office:
Sensiv, 14 Jamal Khan Road, Chittagong-4000, Bangladesh
Phone: 018 1955 6631/018 1955 6632
Email: chittagong@parkwayhealth.net

Gleneagles Hospital • Mount Elizabeth Hospital • Parkway East Hospital



THIS IS NOT A LEAF
There is more to this leaf than meets the eye.
It began with an effort to nourish the sandy soils of Panchagarh so we could grow tea. Today, thousands of birds chirp in the canopy of the herbal shade trees. Foxes dart among the bushes, chase rabbits in the field. Many kinds of wildlife are returning to the area. This rich eco-system keeps the garden healthy, while rejuvenating nature itself.
It's more than just a tea leaf.
Beyond organic. A cup of goodness.

International Grade Organic Tea
Black tea, Green tea, Tuli tea
KK KAZI & KAZI TEA