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Default loans fall despite stock crisis

REJAUL KARIM BYRON

Default loans in commercial banks marked a fall last year, easing fears that such loans might go up due to a crisis in the stockmarket.

Bankers said a good internal portfolio management by the banks and a continuous monitoring by the central bank helped rein in such loans.

However, some state-owned commercial banks witnessed a rise in their default loans.

The amount of such loans in the commercial banks decreased by Tk 65 crore to Tk 22,644 crore on December 31, 2011.

The amount was Tk 22,709 crore on December 31, 2010. Such loans were 6.12 percent of their outstanding loans on December 31, 2011, down from 7.27 percent a year ago.

The default loans in state-owned commercial banks fell by Tk 587 crore but that of the private commercial banks rose by Tk 772 crore, foreign commercial banks by Tk 73 crore and specialised banks by Tk 676 crore.

The overall amount of the default loans came down because of a good internal portfolio management by the banks and a continuous monitoring by the central bank, said Md Nurul Amin, chairman of Association of Bankers, Bangladesh (ABB), a platform of the chief executives of the private banks.

Amin, also managing director of National Credit and Commerce Bank, blamed a rise in default loans in some private banks on their poor portfolio management.

Syed Abdul Hamid, managing director of Agrani Bank, said the default loans of the banks increased in the middle of the year but it came down later as the banks launched a special drive in the last quarter.

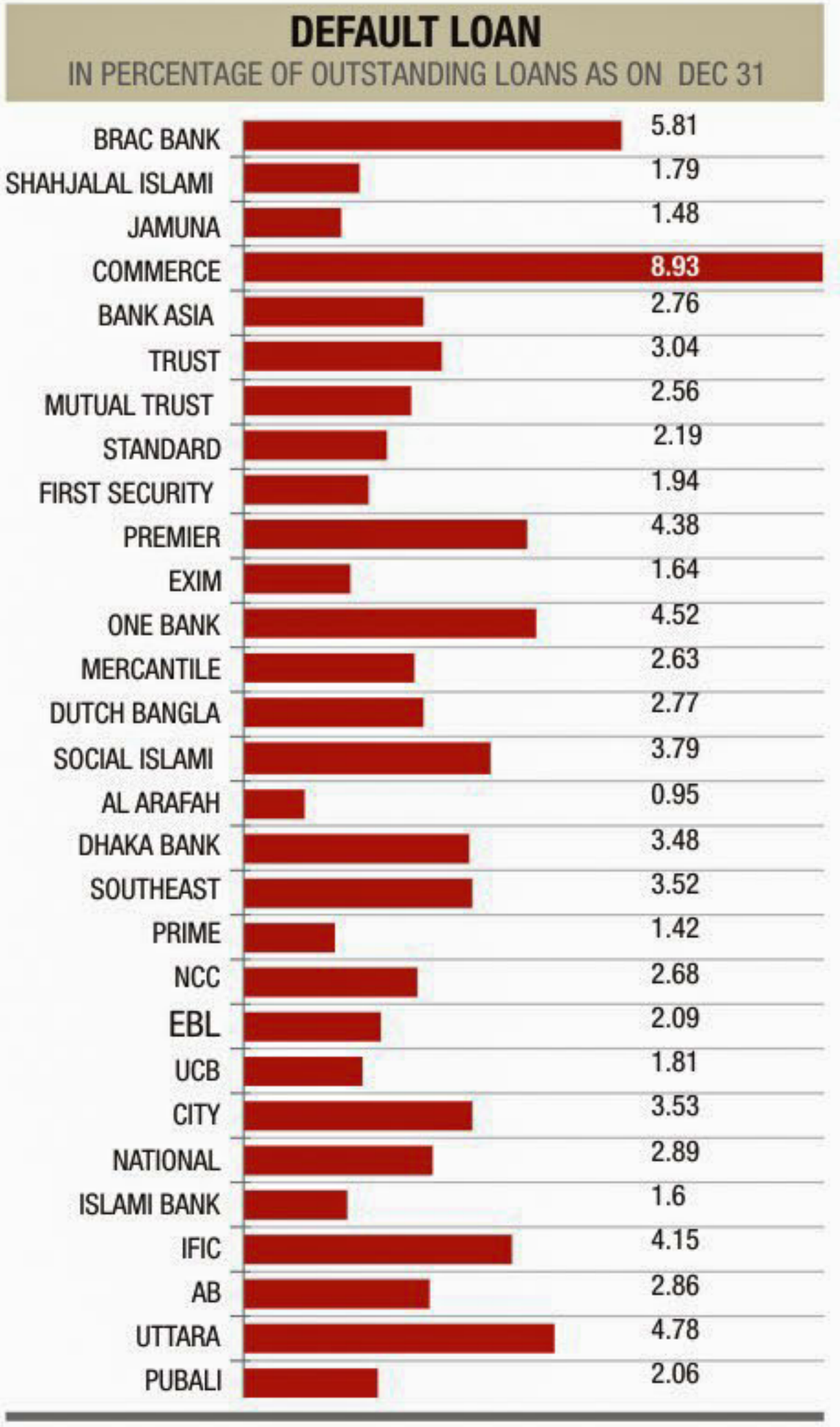
He said many banks filed cases against the defaulters and got the loans rescheduled through negotiation which brought down the amount of default loans.

However, he said they made progress mainly in rescheduling default loans of smaller amounts.

About the banks' investment in the stockmarket, Hamid said the loans were given through separate institutions and the amount of these loans is small compared to the banks' overall portfolio.

According to Bangladesh Bank statistics, the amount of banks' investment in the stockmarket was Tk 23,000 crore at the end of 2010, but the amount came down to Tk 15,000 crore in November 2011.

Another banker said the full picture of how much of the banks' investment in the stockmarket became defaulted will come to light by the year-end.



However, he said the increase in the private banks' default loans included some loans invested in stocks.

According to BB statistics, the amount of default loans of the state banks was Tk 9,170 crore or 11.27 percent of their outstanding loans in December 2011, down from Tk 10,757 crore a year ago.

The amount of private banks' default loans was Tk 7,202 crore or 2.95 percent of their outstanding loans in December 2011, up from Tk 6,430 crore in 2010.

Foreign banks' default loans were Tk 626 crore or 2.96 percent of the outstanding loans in December 2011, which was Tk 553 crore a year ago.

Specialised banks' default loans were Tk 5,645 crore or 24.55 percent of the outstanding loans in December 2011, up from Tk 4,969 crore in the previous year.

SEC again lifts investment cap on mutual funds

STAR BUSINESS REPORT

The Securities and Exchange Commission has again allowed mutual funds to invest in listed securities freely for another four months to June.

The stockmarket regulator had suspended a couple of clauses in the Mutual Fund Rules of 2001, which put limits on investment by mutual funds, up to June 30.

Earlier, a mutual fund was allowed to invest 10 percent of its capital in a single security and 25 percent in one sector.

"The commission has lifted the investment ceiling for mutual funds considering the interest of the investors and the market," the SEC said.

On September 15 last year the watchdog though a directive allowed the mutual funds to invest in listed securities without any limit up to December last year in a move to increase the flow of funds to the cash-strapped stockmarket.

As the opportunity ended in December last year, asset managers urged the regulator to relax the ceiling of investment to increase the credit flow to the market.

"The commission considered their [asset managers'] appeal and decided to let mutual funds invest in securities freely," said a commissioner of the SEC.

Presently, there are 38 mutual funds listed with the stockmarket with their combined capital of around Tk 3,500 crore.

Muhith calls for a shift in accounting method

ICAB organises seminar on accountability in financial management

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday said Bangladesh should adopt modern accrual accounting and auditing, replacing the outdated cash-based system.

The cash method is a more commonly used method of accounting in small business. Under the cash method, income is not counted until cash (or a cheque) is actually received, and expenses are not counted until they are actually paid.

Under the accrual method, transactions are counted when the order is made, the item is delivered, or the services occur, regardless of when the money for them is actually received or paid. In other words, a company counts income when its sales occur and records expenses when it receives goods or services. It does not wait to see the money actually received or paid.

"In Bangladesh, the system is mostly cash-based. Now we are being told that this is something that needs to be left behind," Muhith said.

"It is not very difficult, but it requires a substantial mindset change. This is one area where the government is a poor performer," he said. "Changing the mindset within the government is not an easy feat."

Muhith spoke at the inauguration of an event, Strengthening Bangladesh Public Sector Accounting and Auditing -- Global Reforms and the Way Forward, at Sonargaon Hotel in Dhaka.

The Institute of Chartered Accountants of Bangladesh (ICAB) and Confederation of Asian and Pacific Accountants (CAPA) jointly organised the daylong international conference to draw the government's attention to the needs of ensuring transparency and accountability in financial management.

Muhith said there are various chal-



AMA Muhith

lenges ahead for the country on the standard and performance of public accounting, and underscored the need for shifting to accrual accounting from the cash method.

He urged the ICAB, Institute of Cost & Management Accounts of Bangladesh (ICMAB) and the Comptroller & Auditor General (CAG) to work together to improve the quality of accounting and auditing standards in the country.

In the programme, Commerce Minister GM Quader said the government of Bangladesh is always concerned about how to bring financial discipline in the public sector.

"The basic performance of all performances is financial performance," he said, adding that the chartered accountants could establish accountability and good governance in the country.

ICAB President Md Syful Islam said the call for public sector financial management in respect of economic growth is highly significant considering the global financial crisis.

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Fraud fears weigh on e-commerce

STAR BUSINESS REPORT

Banks' shyness in keeping debit and credit cards active for online transactions acts as a major setback to faster growth of e-commerce, analysts said yesterday.

Most banks keep their clients' cards inactive for online transactions for security reasons to avoid fraudulent activities, said Abul Kashem Md Shirin, the deputy managing director of Dutch-Bangla Bank Ltd.

"Banks activate cards for online fund transfer on

clients' request. It is done for a certain time," he said at a discussion on adoption challenges of online and mobile fund transfer.

Shirin said online transaction is getting popularity in the services industry for payment of bills and purchase of air or railway tickets. "But merchants are not fully ready to take part in e-commerce," Shirin said.

Mobile banking is growing fast, he added. In India, 75-percent of trading takes place through e-commerce, said the official of online banking pioneer.

Kanon Kumar Roy,

director general of the Directorate of Inspection (taxes), criticised banks for keeping cards inactive for online transactions. "The system of calling banks to activate cards for online fund transfer is obsolete."

Bangladesh Association of Software and Information Services (BASIS) organised the discussion on the sidelines of its fair, BASIS SOFTEXPO 2012. The five-day show is taking place at Bangabandhu International Conference Centre.

BASIS Vice President AKM Fahim Mashroor wanted Bangladesh Bank (BB) to make a guideline for banks and other service providers to prevent frauds in online transactions.

At the programme, BB Executive Director Dasgupta Asim Kumar said he would raise the matter to the higher

authority to frame policy or guideline for addressing issues of frauds in such transaction.

On cards inactiveness for online fund transfer, he said bankers association can frame guidelines for banks to ensure security.

Shameem Ahsan, chief executive of an e-commerce firm akhoni.com, said his company has started getting response from buyers at home and abroad.

Anir Chowdhury, policy adviser to Access to Information (A2I) Programme Support to Digital Bangladesh, said there is huge scope of increasing online transaction.

He said the government pays huge amount of money to the citizens in the form of salary and pensions, while citizens pay bills, submit taxes. Nearly 7-8 lakh receipts are submitted daily, he said.

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