STOCKS

DGEN	▼ 1.28%	4,620.71
CSCX	▼ 1.05%	8,784.86

COMMODITIES

Gold ▲	$1,620.10	(per ounce)
Oil ▲	$82.85	(per barrel)

ASIAN MARKETS

MUMBAI	▼ 1.20%	16,677.88
TOKYO	▼ 0.22%	8,568.89
SINGAPORE	▼ 0.47%	2,773.81
SHANGHAI	▼ 0.99%	2,295.95

CURRENCIES BANGLADESH BANK

	USD	EUR	GBP	JPY
BUY TK	81.40	100.79	124.76	0.99
SELL TK	82.40	104.78	128.79	1.09

Star BUSINESS

DHAKA FRIDAY JUNE 15, 2012, e-mail:business@thedailystar.net

STAR

THE WRATH OF ANGRY WORKERS: A building comes under attack from protesters in the industrial hub of Ashulia on the outskirts of Dhaka yesterday. Angry garment workers staged street protests demanding a pay hike for the fourth day. Related story on page 1

BB tightens loan rules

Bankers say the move will swell default loans, hurt profitability

SOHEL PARVEZ

The central bank has tightened rules for classifying and rescheduling loans in a bid to improve banks' financial health and ensure better discipline in the sector.

But bankers said the move will swell the amount of default loans at banks and hurt profitability.

In line with the latest directive of the Bangladesh Bank, banks will have to start treating loans that are overdue for more than three months as 'substandard'. The timeframe was for six months before.

Such timeframes for treating loans under 'doubtful' and 'bad or loss' categories have also been reduced by three months for each type of classification.

For example, loans will fall in the 'bad or loss' category if these are overdue for nine months and above.

In the past, a loan overdue for one year was marked as bad loan.

As a result, banks will have to keep aside more of their incomes against these newly classified loans in addition to the money they already maintain against the existing classified ones.

However, rules to classify overdue farm loans and micro-finance remain unchanged. In another directive, the BB asked banks not to reschedule loans for more than three times.

The new policy became effective from yesterday.

Banks will have to submit loan-classification statement to the central bank starting from the next quarter, ending in September 30, following the new classification and provisioning format.

Bankers found the timing of issuing the directive inappropriate as the economy faces a slowdown due to falling exports.

The move is also likely to hurt liquidity flow in banks, they said.

Reduced classification time also risks more borrowers to become defaulters and thus face bar to get loans, they added.

"It appears that the amount of classified loans in banks may go up suddenly because of the reduced timeframe for loan classification," said Mohammed Nurul Amin, chairman of Association of Bankers Bangladesh, a platform of chief executives of banks.

Amin, also the managing director of NCC Bank, said the new rule will increase their provisioning requirement and thus affect profitability.

"It would have been good for us had the new rule been made effective from the first quarter next year," he said, adding that they would share their observations with the central bank after going through the new directives.

READ MORE ON B3

Azad: RMG workers deserve pay hike

STAR BUSINESS REPORT

The president of the Federation of Bangladesh Chambers and Commerce Industry (FBCCI) yesterday hinted that garment workers deserve a pay hike against the backdrop of rising inflation and house rents.

"House rents increased three times in Ashulia; non-food inflation marked a rise. So I have decided to hike salary for my workers from June instead of November," said Azad, also the owner of Ha-Meem Group, a leading player in the sector.

But Azad came under fire from other garment makers due to his decision of increasing salary of his workers.

"It was my personal decision," he defended himself.

Azad spoke at a hurriedly-called press conference by Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) in Dhaka.

The garment makers met as thousands of workers continued violence for the fourth day in the industrial belt of Ashulia yesterday, demanding a pay hike in a series of street protests that halted production in around 300 factories.

READ MORE ON B3

Move on to speed up foreign aid utilisation

Govt officials and donors will visit 22 foreign-aided projects by Dec

STAR BUSINESS REPORT

Representatives of the government and development partners will visit 22 foreign aided projects within December to identify problems in the implementation of the projects.

The move initiated early this year was meant to expedite the process of spending unutilised foreign money, which is huge in amount and now stands at $16 billion.

Under the move, a team comprising officials of the Economic Relations Division (ERD) and Planning Commission on the government side and some representatives of the development partners visited nine projects during January-May.

A meeting between Local Consultative Group (LCG), a platform of the representatives of the development partners, and the government officials reviewed the progress of the initiative yesterday.

Outgoing LCG chair World Bank's Country Director Ellen Goldstein and ERD Senior Secretary Iqbal Mahmood jointly presided over the meeting.

At the meeting, UN Resident Coordinator Neal Walker took over as the new chair of the LCG.

However, the two parties took a number of decisions early this year to increase the utilisation of foreign aid.

It was decided that the heads of different projects would hold a total of 21 meetings during the January-June period, while secretaries of different ministries would meet twice a year and a meeting would be held at the ministry level.

However, the project heads held 19 meetings from January to May. But no meeting at the secretary or finance minister level was held so far.

The yesterday's meeting also discussed about holding the next Bangladesh Development Forum Meeting, which was scheduled for early this year but could not take place due to complication between the government and the WB over the Padma bridge project.

The ERD officials told the meeting that the government is now ready for the BDF meeting. Now if the development partners set a schedule, the government will take part in it.

The next BDF meeting will be attended by senior officials of the development partners, apart from their local representatives.

The ERD officials told the development partners yesterday to follow a common procurement rule.

The officials also said the government is not fully informed about the foreign assistance non-government organisations receive.

7.2pc GDP growth hinges on three criteria

Akbar Ali Khan speaks at Prothom Alo's discussion on budget

STAR BUSINESS REPORT

Achieving 7.2 percent economic growth in the next fiscal year is possible if three criteria are met, Akbar Ali Khan, a former caretaker government adviser, said yesterday.

Bangladesh will achieve the GDP growth target if: there is no natural disaster, global fuel prices fall at least 20 percent and the fiscal and monetary policies are managed prudently, Khan said.

Khan's optimistic remark comes at a time when many economists were sceptical of the high economic growth target.

Addressing a discussion on the proposed budget organised by the Bangla-language newspaper Prothom Alo, Khan said the economic growth will not be in a linear fashion.

"There may be ups and downs, but there should be reasons for them though."

He is not too supportive of the government's expansionary fiscal policy on the grounds that exchange rate would shoot up giving way to a higher inflation, which, in turn, would create uncertainty in the economy and have a negative impact on investment and sustainable development.

On the government's recent agreement with the International Monetary Fund (IMF), Khan is doubtful of whether the targeted economic growth could be achieved or inflation could be controlled.

"But the government should still fulfil the promises it has made to the IMF to get assistance. Otherwise, it will create a big problem for the economy," he said.

Dependency on fuel import is another big predicament for the economy and the government should take a measured approach over it, he added.

Dr Binayak Sen, a research director of Bangladesh Institute of Development Studies (BIDS), said the 7.2 percent GDP growth mostly depends on private sector growth.

READ MORE ON B3

Nokia to cut one in five jobs

REUTERS, *Paris*

Nokia plans to cut one in five jobs at its global cellphone business as it loses market share to rivals Apple and Samsung and burns through cash, raising new fears over its future.

In a second profit warning in nine weeks, Nokia said on Thursday that its phone business would post a deeper-than-expected loss in the second quarter due to tougher competition.