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Default loans on the rise

REJAUL KARIM BYRON

Default loans continue to spiral, with the second quarter of the year seeing the amount rise by 14.6 percent or Tk 3,711 crore from the previous quarter.

Compared to last year's second quarter -- which saw the default loans increase by 2.66 percent, or Tk 643 crore -- the latest rise becomes all the more worrying.

On June 30, banks recorded default loans at Tk 29,000 crore of their outstanding loans, up from Tk 25,298 crore on March 30, according to central bank data.

Bangladesh Krishi Bank Chairman Khondkar Ibrahim Khaled said the rise in interest rates in recent times has been excessive.

"What used to be 11 percent to 12 percent is now 14 percent to 15 percent, and in some banks it is 16 percent," said Khaled.

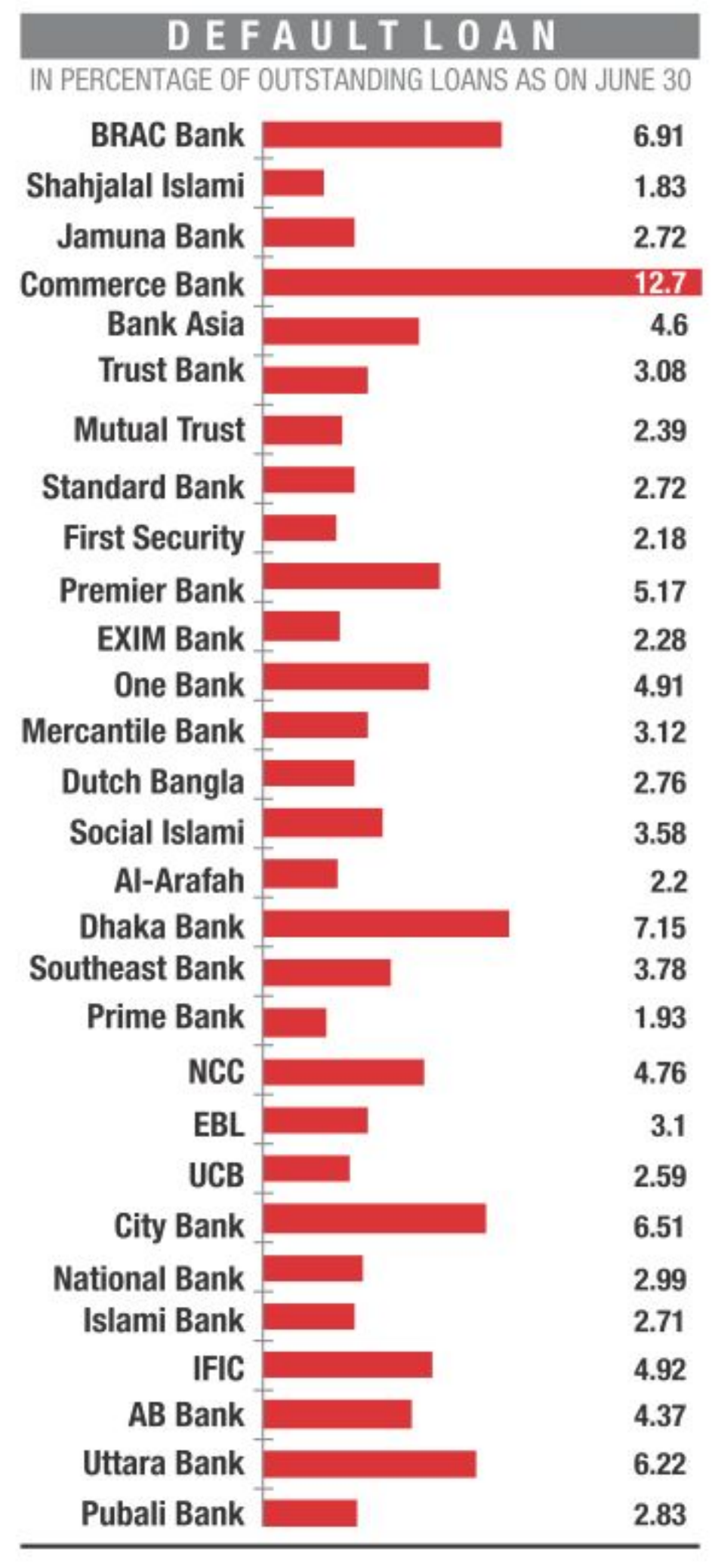
Due to the high rate, many could not get their loans serviced, Khaled said, adding that the depressed state of the economy may have had an impact on banks' loan management.

Khaled, also a former deputy governor of Bangladesh Bank, said the credit management is much worse in state-owned banks.

He called for increased monitoring from both the central bank and the banks.

Nazrul Huda, another former deputy governor of the BB, said the loan situation tends to pick up after the June and December closings, but this time, worryingly, it has been the opposite.

Huda cited the global economic crisis finally catching up with Bangladesh as one of the reasons for the rise in default loans.



Particularly, he feels the slowdown in business of exporters, banks' major borrowers, owing to the global recession have increased the percentage in default loans.

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StanChart to bankroll Midland Power

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Standard Chartered Bank will provide \$21 million to Midland Power Company Ltd for a 51-megawatt gas-fired power plant at Ashuganj of Narayanganj.

The two sides inked an agreement yesterday to facilitate the implementation of the independent power plant at a total cost of \$32 million.

The British bank is the sole arranger and lender of the financing facility.

Midland Power is a joint venture between Viyellatex Group and Youth Group, two leading garment exporters. The plant plans to supply electricity to the national grid by the yearend.

Midland Power and the Power Development Board of the government signed the agreement on April 11.

Bakharabad Gas Distribution Company Ltd will supply gas to the project and the main engine of the plant will be a Norwegian Rolls Royce, agreements for which are already in place.

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Plan to lease out unused state lands hits roadblock

STAR BUSINESS REPORT

The Privatisation Commission's proposal to lease out unused lands under state enterprises to private investors has run into a setback due to lack of responses from ministries.

A panel was tasked in March with working out the lease plan. It asked the ministries -- industries, commerce, and jute and textiles -- in July to provide information on the excess lands under the enterprises within 15 days, but they did not get back.

The panel then sent out letters

twice to the ministries requesting for information -- and still there was no response.

"At last we phoned these ministries reminding them of our request for information. As of now we are yet to receive the information," Mirza Abdul Jalil, the commission's chairman and a member of the panel, said after a meeting on Sunday.

Prime Minister's Economic Affairs Adviser Mashiur Rahman, also head of the panel, presided over the meeting which had representatives from industries, jute and textiles and commerce ministries in

attendance. "It seems they are trying to say they do not have the information. But you would expect the ministries to have the records of state mills. If they tried properly they could. But I am still hopeful," Jalil said.

Jalil said the committee would no longer be held back by the ministries' inability to provide the necessary information.

"We will proceed with whatever information we have in hand and prepare a guideline accordingly," he said.

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Call money rate stays calm despite Eid pressure

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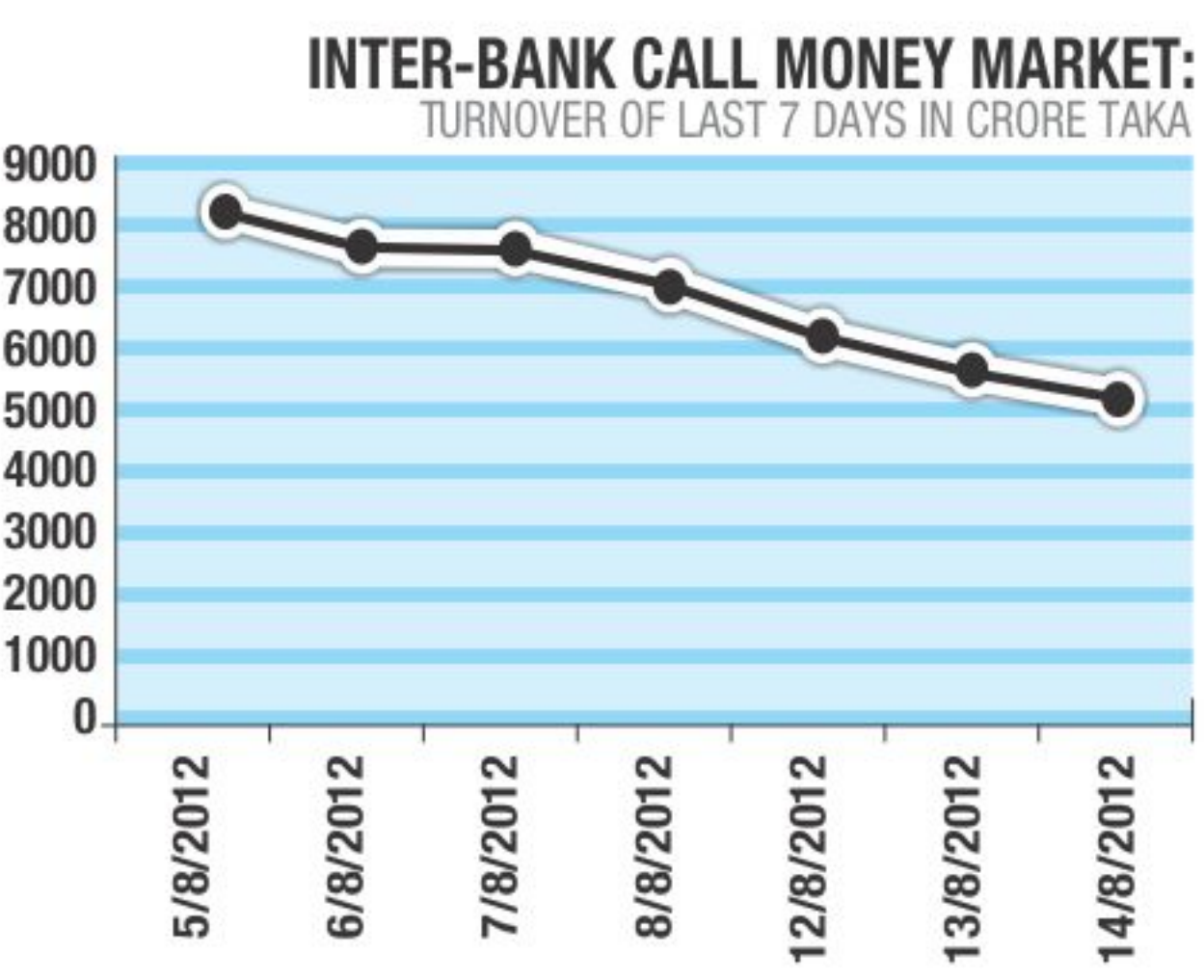
The inter-bank call money market ended the week before the Eid holidays without any significant rise in interest rates.

Like the previous days of the week, the call money rate fluctuated between 14 percent and 16 percent yesterday, the last workday before Eid-ul-Fitr.

Most of the deals were settled at 14 percent for banks and 16 percent for non-bank financial institutions.

According to Bangladesh Bank data, a total of Tk 5,207.50 crore was traded in the inter-bank call money market yesterday, down by Tk 362 crore in the previous day.

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