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# STAR BUSINESS

DHAKA FRIDAY NOVEMBER 23, 2012, e-mail: business@thedailystar.net

## Scams push up loan defaults

### The amount rises by Tk 7,282cr during July-Sept

REJAUL KARIM BYRON

Bad loans increased by Tk 7,282 crore or 1.58 percentage points in the third quarter this year as a significant amount of loans related to the recent incidents of scams was classified.

The central bank is putting pressure on the banks to get the real picture of their loan defaults.

On September 30, the total amount of bad loans in the banking sector was Tk 36,282 crore or 8.75 percent of the total outstanding loans.

The amount was Tk 29,000 crore or 7.17 percent of total loans on June 30.

According to Bangladesh Bank statistics, the highest increase in such loans was in the state-owned commercial banks that saw a rise by Tk 3,746 crore in the third quarter.

The amount of total classified loans at these banks stood at Tk 15,518 crore on September 30.

The classified loans at the private banks also marked a rise, by Tk 3,280 crore during the same period, and



reached Tk 13,585 crore.

Bankers said the central bank recently detected loan-related irregularities in some public banks, and put pressure on the banks to classify the loans.

Hall-Mark Group and some other businesses embezzled Tk 3,547 crore from Sonali Bank's Ruposhi Bangla branch on forged documents.

On November 18, Finance Minister AMA Muhith also said in parliament that a significant amount of funds was also embezzled through Sonali Bank's Gulshan and Agargaon branches.

The finance minister said incidents of forgery were also detected in the accounts of some customers of Rupali, Janata, Agrani and BASIC Bank.

According to BB statistics, the amount of bad loans increased by Tk 1,733 crore in Sonali Bank, by Tk 758 crore in Janata, by Tk 1,092 crore in Agrani, and by Tk 163 crore in Rupali Bank during the July-September period.

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## FBCCI goes to polls tomorrow



STAR BUSINESS REPORT

The biennial election of the country's apex trade body, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), is due to be held tomorrow.

A total of 63 candidates are contesting in the election for the 30 posts of directors for the 2012-14 term.

Of the 63 candidates, 60 are contesting under the two panels of Ganatantrik Parishad and Kazi Akramuddin Ahmed and three independently.

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## BASIC Bank's bad loans pile up on aggressive lending

SAJJADUR RAHMAN

Aggressive lending has doubled state-owned BASIC Bank's non-performing loans (NPL) in just nine months this year, data shows.

The bank's NPL was 4.38 percent of its outstanding loans at the end of December last year, but the amount shot up to 8.10 percent in September this year, indicating a rise in its loan defaults.

Such loans were 4.83 percent of its total loans, both in 2009 and 2010.

Despite a dramatic rise in its bad loans, the bank's top officials think they are on the right track and the situation might improve at the end of the year.

"Some big loans were classified, pushing up the NPL of the bank," Kazi Faqurul Islam, its managing director, told The Daily Star.

"Some of our loans were classified on qualitative judgment," said Islam.

Data shows the bank received Tk 1,412.45 crore in deposits during January-September, but it lent Tk 1,456.71 crore during the period violating the Bangladesh Bank rules.

According to BB, a bank cannot lend more than 85 percent of its deposits.

"We're on an aggressive expansion drive; we cannot sit on idle funds," said A Monaem Khan, deputy managing direc-

tor of the bank.

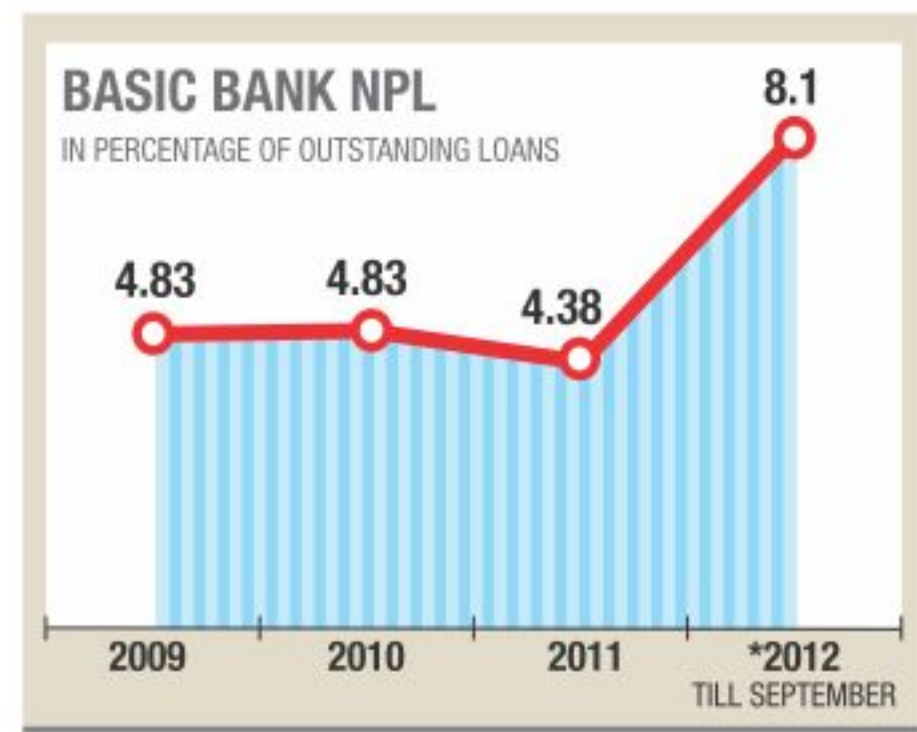
Khan said the bank had only 32 branches in September 2009, but now it has 56, excluding those in the pipeline.

A fully government-owned bank different in its objectives from other banks, BASIC started its operations in January 1989.

The bank is a blend of development and commercial banks. Of the bank's total loanable funds, 50 percent are meant for small and cottage industries.

Recently, BASIC Bank came as news reports after the Anti-Corruption Commission launched an inquiry into alleged embezzlement of funds from the bank.

Finance Minister AMA Muhith also said in parliament that there were some irregularities in the bank, but he did not disclose the amount involved.



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## Singapore summit set to showcase Bangladesh's investment prospects

### The daylong event on Dec 4 will connect 200 potential investors

STAR BUSINESS REPORT

A daylong event dedicated to Bangladesh will take place in Singapore next month to convey the country's success stories and potential to foreign investors.

The conference, known as Bangladesh Investment Summit, is tipped to be an important platform for Bangladesh's businesses and policymakers to market the country -- as it will be attended by more than 200 potential investors from across the world.

FinanceAsia and AsianInvestor, both published by Haymarket Financial Media Group, will host the summit at the Marina Bay Sands Convention Centre in the city-state on December 4.

Asset owners, private banks, asset managers, investment banks and other financial institutions will also take part in the summit, which will address all issues pertaining to investing on the continent.

The summit will showcase the vast opportunities available in Bangladesh, Jim McCabe, chief executive officer of Standard Chartered Bangladesh, told reporters in Dhaka yesterday.

"The potential of Bangladesh is



Jim McCabe, CEO of Standard Chartered Bangladesh, speaks in a press briefing in Dhaka yesterday to announce the Bangladesh Investment Summit to be held in Singapore on December 4. K Mahmood Sattar, managing director of the City Bank, was also present.

real. We see a huge potential in the country. There is also a plenty of scope to engage in investment in the country," he said.

The summit, sponsored by Standard Chartered Bank, the City

Bank Ltd and Deutsche Bank, will help leading Bangladeshi businesses access foreign capital to expand their businesses, he said.

McCabe said prestigious speakers from government, lead-

ing Bangladeshi corporate world, financial institutions and Asian investors, would lend their expertise on driving inward investment to Bangladesh.

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## 8pc economic growth hinges on FDI: Azad

STAR BUSINESS REPORT

The slow inflow of foreign direct investment (FDI) has become a major impediment to taking economic growth to 8 percent, the chief of the country's apex trade body said yesterday.

It will require \$28 billion of fresh investment to achieve the 8 percent GDP growth, said AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

The domestic entrepreneurs do not have the capacity to undertake investments of such scale -- and hence the call for FDI, Azad said.

"But the much-needed FDI is not coming due to weak infrastructure, inadequate bank loans, higher bank interest rate and inadequate supply of gas and power," he said.

The comments came at a press briefing on the current economic situation of the country and the roles of FBCCI, held at the trade body's headquarters in Dhaka.

"Please resolve the problems of gas and power as soon as possible, both for domestic and foreign investors," he said, while citing the departure of Japanese investors from Bangladesh to Myanmar due to this issue.

The FBCCI president recommended the government to allocate some of the unused land at the vast Korean Export Processing Zone in Chittagong for the Japanese investors.

He demanded completion of the construction of the six proposed special economic zones within six months -- for the sake of investment.

Azad also mentioned of the traffic congestion in the Dhaka-Chittagong highway, which has become a major barrier for goods movement, and urged the government to upgrade it to a quad carriageway at the earliest.

Meanwhile, to reduce pressure on the Dhaka-Chittagong highway, he asked for the inauguration of the Pangaon river port at Narayanganj.

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## India okays new drug pricing policy

REUTERS, New Delhi

The Indian government yesterday approved a new drug pricing policy, two ministers told reporters, a move that will regulate the prices of 348 drugs deemed essential.

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## Food agency seeks to buy aman to prop up prices for farmers

SOHEL PARVEZ

The Directorate General of Food seeks the green light to buy 2 lakh tonnes of rice from the ongoing aman yield, an official said yesterday.

"In spite of having a good stock, we have proposed to buy the grain considering the interests of farmers," said Ahmed Hossain Khan, director general of DG Food.

The food office wants to purchase 1.5 lakh tonnes of rice from the aman harvest and 75,000 tonnes of paddy (equivalent to 50,000 tonnes of rice) this year.

Last year, the government bought 3 lakh tonnes of aman rice, Khan said.

Aman output will be good this season and with the arrival of new paddy prices may fall affecting farmers, he added.

The prices of newly harvested aman

paddy, the second biggest crop after boro, have already begun falling in the northern region, the country's main rice producing zone. Increased arrivals of fresh harvest, release of old stocks by millers and the government's distribution from its large stocks dampen the paddy market.

The agriculture ministry hopes that production will be higher than last year's actual output of 1.28 crore tonnes as there were no major natural disaster like floods and cyclone.

Although plantations were affected due to inadequate rains and flash floods in some parts, subsequent intermittent rainfall proved to be conducive to aman crop growth, Food Planning and Monitoring Unit (FPMU) said in its latest Bangladesh Food Situation Report.

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