

# A pledge for SMEs

UCBL boss stresses the need for financial inclusion to move forward

SUMAN SAHA

**I**N bids to promote an equitable distribution of resources, United Commercial Bank Ltd (UCBL) has its eyes on financing small and medium enterprises, a top official said.

With plans to lend around Tk 2,000 crore to the SME sector this year, Muhammed Ali, managing director of the bank, said power and gas and a good transportation system are important to attracting investment.

"Since the country has a deficit in necessary infrastructure, we should go for SME financing as it requires lower infrastructure," said Ali, who joined the bank in November.

The bank provided around Tk 5,800 crore in SME loans, out of the total funded portfolio of Tk 13,260 crore as of January.

"We are giving the highest priority to the SME sector as it has a good recovery rate," Ali told The Daily Star in an interview at the bank's head office in Dhaka recently.

He said UCBL wants to supersede others banks in SME investment.

The bank also aims to reach out to more customers by opening new branches and introducing more innovative products.

"Banking services have changed significantly over time. It is no longer considered a trading business and rather, it is a fully analytical business," said Ali, who is also the chief executive officer of the bank.

UCBL began operations in



Muhammed Ali

1983 and now has 130 branches with plans to open nine new branches in 2013, he added. The bank will also add 20 new ATM booths to the existing 80 this year.

He said his bank will soon join the NPS (national payment switch) to ensure cost-effective services for clients.

The UCBL boss stressed the need for financial inclusion.

More than 70 percent of the population is not under the banking system.

The remaining 30 percent of the population has deposited more than Tk 500,000 crore in the banking sector, but it has to increase further for the development of the country, Ali said.

Ali, who has more than 35 years of experience in the sector, served Social Islami Bank and Shahjalal Islami Bank as managing director, prior to joining UCBL.

On the higher lending rate, the UCBL MD said Bangladesh Bank

should come forward and address the issue.

The central bank should slash its lending rate and pay interest to the commercial banks for their deposits with the regulator as part of measures to cut a high rate of lending for the end-borrowers, he added.

Commercial banks have to maintain a large deposit with the central bank for a cash reserve ratio (CRR) and statutory liquidity requirement (SLR), without getting any interest on the fund, Ali said.

"We can use only Tk 81 out of Tk 100 deposited fund as we have to maintain a 6 percent CRR and 13 percent SLR, though the commercial banks have to pay interest for the whole amount," said Ali.

So BB should give a minimum interest on the CRR and SLR funds, said the bank's chief.

CRR refers to the cash banks have to park with BB against their

liabilities, while SLR refers to liquid assets banks have to hold. Both tools are used to provide a buffer in case of a bank run.

Ali said a higher fund cost is one of the key challenges for the commercial banks.

The fund cost would be 20-22 percent if bank calculates all the costs associated with mobilising the fund, such as the interest rate, deposit insurance, non-performing loan and operations.

"We however do not calculate it literary," said Ali. He said banks are now surviving on non-funded incomes such as commissions and fees.

"The rate of return on the funded income is really negative," he added.

On the monetary policy, Ali said BB should focus on job creation rather than stress on containing inflation for the development of the country.

"A mild inflation is a blessing for the economy," Ali said.

Since the country has been witnessing 'cost-push inflation', we should allow limited inflation to ensure fair prices for the farm producers, he said.

UCBL aims to widen mobile banking. The bank has inaugurated the soft-launch of its mobile financial services -- UCASH -- under the slogan Akash Chowha Sheba, Ali said.

The bank has signed its first agreement with mobile operator Robi Axiata to provide services to the unbanked people of the country. It also plans to ink agreements with other mobile operators soon.

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# Ctg port takes a hit from hartal

DWAIPAYAN BARUA, Ctg

**A**CTIVITIES at Chittagong Port slowed to a crawl in the last three days due to a countrywide shutdown.

During hartal, the delivery of products experienced a sharp decline, although the Chittagong Port Authority (CPA) took steps to keep the port up and running round the clock to ensure safe passage for imported goods.

Around 500 trucks and container carriers laden with imported goods left the port on Monday, down from the daily average of 2,500 trucks and carriers, according to data from the CPA.

On the first day of the three-day hartal, the number of such vehicles was nearly 350, while yesterday's number was also small.

Only 276 TEUs (twenty equivalent units) of containers laden with imported goods were delivered in the last 24 hours till 8am yesterday while the number reached 202 TEUs in the same period on Monday.

Mentionable, 1,320 TEUs of import containers were delivered in 24 hours till Saturday morning, the day before the hartal began. And nearly 5,163 TEUs of import containers were unloaded in the jetties from the vessels in the last three days till 8am yesterday.

Due to such slow pace in delivery, the number of lying containers in port yards, having capacity to store 30,000 TEUs of containers, touched 22,274 TEUs yesterday.

Officials at CPA's traffic department, however, hoped that the situation would start improving by yesterday evening as the clearing and forwarding agents had already completed all procedures to get delivery of imported goods of 1,156 TEUs of containers by yesterday afternoon.

Trucks and carriers were waiting

inside the port to start leaving with goods after the hartal hour yesterday.

Many C&F agents were preparing to submit documents to get delivery of goods by yesterday as the importers failed to get delivery of their goods during hartals for lack of vehicular movement, CPA Secretary Syed Farhad Uddin Ahmed told The Daily Star yesterday.

Handling of goods in the port was also hampered during the shutdowns, Ahmed said.

A total of 1,338 TEUs of export containers could be shipped to vessels in 24 hours until 8am yesterday while the figure was 2,644 TEUs in the same period till Sunday before the shutdown began.

Port users could not transport export goods, mostly readymade garments, to the port due to the shutdown.

The port authority had earlier planned to cancel leave of all officials and staffs of the CPA to keep the port running during the shutdown.

A CPA official designated to ensure the port's security said they took assistance from police and Border Guard Bangladesh to ensure safe movement of export containers from different private off-docks to the port overnight.

On Monday, two container vessels -- Ocean Arrow and Sinar Subang with 685 TEUs and 870 TEUs export containers respectively -- left the port, according to the CPA officials.

Beside the port jetties, unloading of goods at outer anchorage was going on, port officials said. Around 28,000 tonnes of goods, including food grain, fertiliser, sugar, salt and cement clinker, were unloaded from 11 vessels anchored at the outer anchorage.

Hartal hampered production in garment factories, as the factory owners failed to get delivery of imported raw materials from the port in time, said BGMEA First Vice President Nasir Uddin Chowdhury.

# India's high-calorie budget



AFP

**Activists from the National Federation of Indian Women, teachers, sex workers and farmers shout slogans against the Congress-led government's National Budget 2013 as they demanded pensions for the elderly, in New Delhi yesterday.**

APURVA SHAH, for Reuters

**I**NDIA'S left-leaning government believes in the 'eat more, burn more' philosophy in managing its finances. Budget 2013 takes that idea further with an even stronger projected rise in spending.

If the increased spending is aimed at productive use, it may still end up doing some good. But the track record does not inspire confidence. I hope that after talking the talk, the finance minister will not lose his nerve when it's time to walk the walk.

With an increase in tax rates for corporates and the rich, and perhaps help from a reflating economy, the budget hopes for a 19 percent increase in tax collection. It is also budgeting for a 16.4 percent increase in overall spending. And this is despite an implausible 10 percent decline in subsidies.

Given that it wants to keep its borrowings under check, the government is hoping for a 134 percent increase in disinvestment of its shares in public companies (but not through privatisation). If the IMF's definition of fiscal deficit is used, which treats disinvestment as financing not revenue, then there is really no decline in the deficit expected. Clearly, the government's voracious appetite remains as stout as ever.

When growth is under pressure (Q3FY13 GDP growth came in at just 4.5 percent), government spending may not be such a bad thing. Unfortunately, the track record is one of budgeting sensibly and doing quite something else through the year.

For instance, in FY12/13, initially the Plan expenditure was budgeted to grow by 26.3 percent and subsidies to fall by 12.8 percent. In reality, subsidies have grown by 18.2 percent while Plan expenditure has grown a mere 4.1 percent. This year's subsidy budget, which is 10 percent lower than last year, is equally dodgy (especially fuel subsidy). It will take luck and political courage in equal measure to live up to this number.

What matters to the economy is not what the government says on budget day, but what it does through the rest of the year. Apart from executing budget promises there are several other critical policy measures that need to be accomplished during the year to reignite growth.

The finance minister alluded to many of these measures during his budget speech. I hope, but don't wager, that it will be different this time and he will actually walk the talk and follow through on his intentions.

Apurva Shah works for the BNP Paribas Mutual Fund and leads a team of analysts across asset classes.

# Nepal produces first billionaire

AFP, Kathmandu

**T**HE Himalayan republic of Nepal, where Maoist revolutionaries came to power in 2008, has produced its first billionaire, according to a new study by Forbes magazine.

Binod Chaudhary, the 57-year-old head of the Chaudhary Group, owns popular noodle brand Wai Wai, exports herbal medicines to India and operates schools, retail outlets, banks, hospitals and telecoms companies in Nepal.

The magnate, whose family has run businesses since the 1930s, was included among 1,426 billionaires from around the world on the latest list compiled by US-based business magazine Forbes which was published on Monday.

"I'm humbled. As a businessman, you don't get a Nobel. This is my Nobel," Chaudhary, who is ranked 1,342 on the Forbes list with an estimated \$1 billion, told Nepalese newspaper The Kathmandu Post on Tuesday.

His grandfather was a textile trader who migrated from the northwestern Indian state of Rajasthan to Kathmandu, opened a small shop, and soon began supplying goods to Nepal's erstwhile ruling family.

His father launched export operations to the US and Europe, and imported goods from Japan and Korea to Nepal.

# Standard Chartered net profit flat in 2012



AFP, Hong Kong

**S**TANDARD Chartered on Tuesday said its net profit was flat in 2012, even after the British lender was hit by a huge fine for violating US sanctions on Iran and three other countries.

Net profit came in at US\$4.79 billion, compared to \$4.75 billion in 2011, the London-based, Asia-focused lender said in a filing to the Hong Kong stock exchange. Pre-tax profit rose one percent to \$6.9 billion.

While income rose eight percent to \$19.07 billion, profit was hit by the \$667-million fine it was forced to pay US authorities last year to settle charges it violated US sanctions, the bank said.

"The \$667 million settlements dented our profit growth and damaged our reputation," group chief executive Peter Sands said in a statement.

US authorities said last year the bank had stripped messages on financial transfers routed through US banks of information that would show the beneficiaries were busi-

nesses and entities that fell under US sanctions.

Sands said the slower economic growth in most of its markets, such as India and China, was another factor that dragged down its performance.

"The macroeconomic environment -- normally a tailwind for us, given the markets we are in -- also proved quite challenging in 2012," he said.

Business slowed in India with revenue falling 12 percent last year, Sands noted, although he sounded optimistic saying that the "mood in India has changed noticeably since last summer" and investor activity "undoubtedly picked up".

"Given the headwinds we faced in 2012, it is no surprise that both income and profit growth for the group as a whole were somewhat slower," Sands said.

Standard Chartered has a strong footprint across emerging markets, part of the reason that it has outshone many of its counterparts with its limited exposure to the ongoing eurozone debacle.

The bank, which survived the global financial crisis without state

assistance, makes around 90 percent of its profits in Asia, Africa and the Middle East.

The bank however was hit by the fine last year, as US authorities are pushing harder on the banking sector to fall in line with its sanctions, especially on Iran as it seeks to pressure Tehran to give up its controversial nuclear programme.

Sands said he was positive on the bank's outlook for this year, after seeing good momentum in its consumer and wholesale banking sectors so far this year.

"Looking at January and our momentum through February, the group has started 2013 well," the chief executive said.

Standard Chartered reported a 12-percent rise in its 2011 net profit to a record \$4.75 billion, thanks to strong performance in developing economies.

On Monday, another Asia-focused giant HSBC -- which was hit by a \$1.9 billion fine to settle US allegations of money laundering -- said its 2012 net profit sank 16.5 percent to \$14.03 billion in 2012.