

Political unrest sends loan defaults soaring

REJAUL KARIM BYRON

Loan defaults in the first quarter of 2013 were uncharacteristically high, due mainly to political unrest.

"Loan defaults tend to go up in the first quarter following the December closing, but this year's rise is higher than normal," a managing director of a private bank said, preferring not to be named.

On March 31, the total amount of

Nurul Amin, chairman of the Association of Bankers Bangladesh, and Zaid Bakht, research director of Bangladesh Institute of Development Studies, echoed Khaled's views.

Between January 1 and March 31, the state-owned commercial banks experienced a Tk 2,788 crore increase in defaults, while the private commercial banks' defaults rose by Tk 4,844 crore.

The foreign commercial banks saw their default loans increase by Tk 214 crore, and the specialised banks by Tk 348 crore.

"The localised strikes enforced in different parts of the country caused as much damage as the nationwide shutdowns. They severely hamper the smooth functioning of trade and commerce," added the manager director. "Consequently, many good borrowers have ended up in the red."

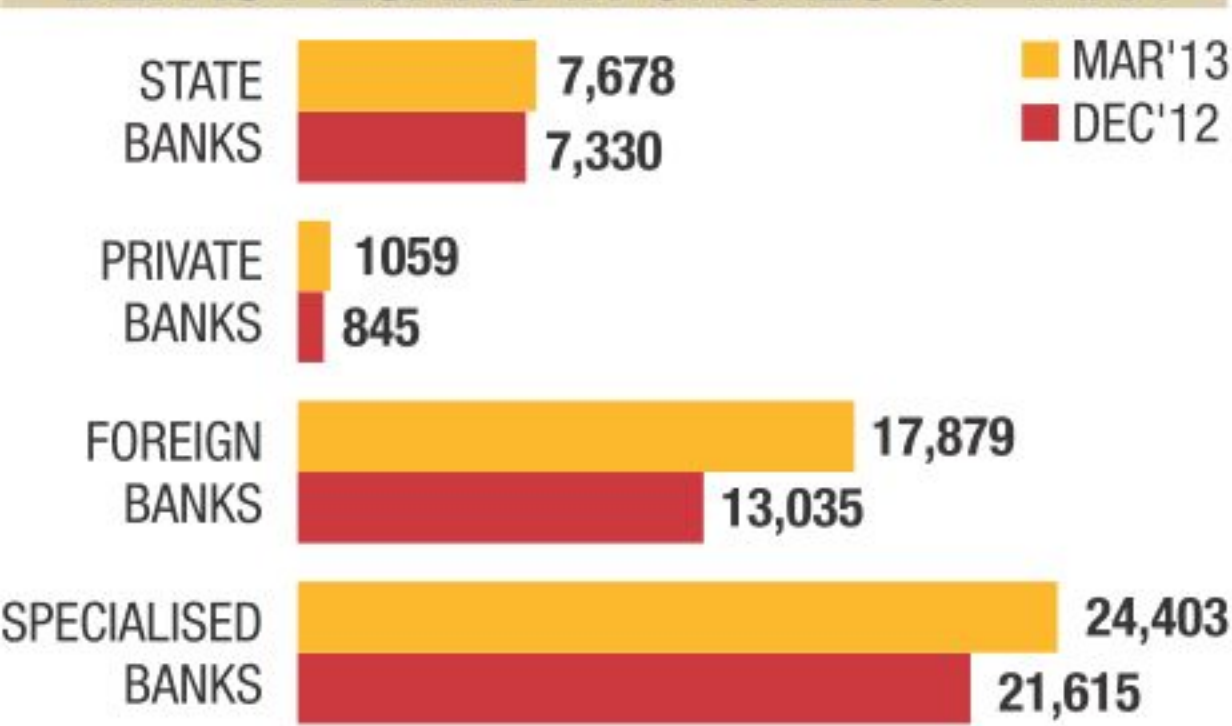
The various scams that took place last year also had a role to play in the rising amount of default loans, according to Bakht, also a director of Sonali Bank.

"The banks are now financing very cautiously. As a result, many genuine borrowers were unable to get rescheduling facility -- and thereby became defaulters."

Following the Hall-Mark scam last year which centred on bill purchase, many good businessmen were denied their payments in time, which led them to default as well.

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DEFAULT LOANS IN CRORES OF TAKA



defaults stood at Tk 51,019 crore, an increase of 19.4 percent from the quarter that ended on December 31, 2012, according to data from the central bank.

"The frequent shutdowns, particularly in the last two months of the quarter, which caused stagnation in trade and commerce, account for the increase in defaults," Khondker Ibrahim Khaled, a former deputy governor of Bangladesh Bank, told The Daily Star.



Prof Muhammad Yunus speaks at a dialogue on "Savar tragedy, worker welfare and looming economic crisis" organised by Power and Participation Research Centre at Lakeshore Hotel in Dhaka yesterday. Story on page 1.

More freedom for trade union

Cabinet okays draft of new labour law

STAR BUSINESS REPORT

The cabinet yesterday approved the final draft on an amended labour law that gives greater freedom to form trade unions.

The 'Bangladesh Labour (Amendment) Act-2013' also keeps a provision for group insurance for 100 plus workers.

Briefing reporters after a meeting, Cabinet Secretary M Musharraf Hossain Bhuiyan said it would protect the interest of the workers and ensure their safety.

However, the cabinet has sent back a proposal by the commerce ministry on signing the Trade and Investment Cooperation Framework Agreement (Ticfa) with the US.

Prime Minister's Principal Secretary Shaikh Md Wahid-Uz Zaman said: "It was not on the cabinet's agenda today. It must be placed in the cabinet for thorough discussion before giving approval and signing as Ticfa is an important matter."

The proposed labour law has made it simpler for workers to join trade unions and mandated a clinic when there are more than 5,000 workers in a factory.

The cabinet secretary said, in case of death of an employee, the employer will have to realise the insurance claim from the insurance company and hand over the money to the dependants.

Under the proposed law, workers will receive gratuity benefit; a worker will be entitled to a month's basic salary for each year of service in case of voluntary retirement or termination within 12 years of service. In addition, a worker will get one and a half month's basic salary as gratuity for each year for more than 12 years of service.

Factories will also have to pay salaries through bank accounts under the proposed law.

There is a provision in the act that maintains consistency between the structural design and layout of a factory while a welfare fund will have to be constituted for the workers of export-oriented companies.

The cabinet also approved in principle the draft of 'Bangladesh Council of Scientific and Industrial Research Act-2013'.

Rejoinder and our reply

Barrister Rafique-ul Huq in a communication on behalf of his client M Shahabuddin Alam, a director of Mercantile Bank, raised objections to a report, headlined "BB unearths scam by a director of Mercantile Bank" published in The Daily Star on May 3.

The statement says the matter has been settled with Bangladesh Bank on February 13, 2013.

"My client is at a loss to understand why such derogatory article has been released and published by you, especially after the matter has been settled," the notice says.

"Mercantile Bank on several occasions issued pay orders favouring SA Oil Refinery Ltd's several sister concerns against placement of cheque(s)/DD(s)/pay order(s) etc drawn on the SND account maintained with the bank for clearing," it says.

On every occasion the value of pay order was less than the total value of the instrument(s) so submitted for clearing. For the excess amount so debited from the account, the bank imposed interest at 15.50 percent on a daily basis and thus realised interest of Tk 52,72,199.33, the notice says.

At the time the transaction and TOD took place, Alam was maintaining term deposit with the bank valuing a total of Tk 3,20,00,000 as dormant security.

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A ray of hope for jobseekers

Prothom-alojobs, BRAC University to hold career fair, seminars

STAR BUSINESS REPORT

Prothom-alojobs, a leading jobsite in Bangladesh, is set to organise a career fair in Dhaka to connect employers with the right people to hire.

The fair will be held at the Westin Dhaka on October 26-27 in collaboration with BRAC University.

They will also organise a series of events, including seminars and workshops, in the run-up to the show, for graduates who are looking to join the job market.

"The fair will work as a platform to help employers find the right matches for their organisations," said Humaira Sharmeen, head of operations of Prothom-alojobs.

This is not just a career fair; the additional programmes will give students a chance to explore their strengths and interests, she said at a press conference at the office of the Journalism Training & Research Initiative in Dhaka yesterday.

BRAC University will organise three seminars on development organisations, the garment sector and equal opportunity employment practices.

The jobsite will conduct three workshops on self development, computer and online skills and communication and interpersonal skills.

The two organisations yesterday signed a deal to jointly arrange the show and the seminars.



From left, Ishfaq Ilahi Choudhury, registrar of BRAC University; Kumar Murshid, adviser to Career Services Office of the university, and Humaira Sharmeen, head of operations at Prothom-alojobs, attend the signing of a memorandum of understanding in Dhaka yesterday.

Most countries, including the developed and the developing ones, have problems with their unemployed graduates, said Kumar Murshid, an adviser to Career Services Office at BRAC University.

Estimates show that around 30 million people are unemployed in the country, he said.

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Major retailers join Bangladesh safety plan

THE NEW YORK TIMES

Three weeks after a building collapse in Bangladesh that killed more than 1,100 workers, two of the world's largest apparel companies -- the retailing giant H&M and Inditex, owner of the Zara chain -- agreed yesterday to sign a far-reaching and legally binding plan that requires retailers to help finance fire safety and building improvements in the factories they use in Bangladesh.

Consumer and labour groups hailed the move by Sweden-based H&M -- which is the largest purchaser of garments from Bangladesh -- and Inditex, based in Spain, as an important step toward improving factory safety in Bangladesh, saying it would increase pressure on other Western retailers and apparel brands to do likewise.

The factory safety agreement calls for independent, rigorous factory safety inspections with public reports and mandatory repairs and renovations underwritten by Western retailers. It also calls for retailers to stop doing business with any factory that refuses to make necessary safety improvements, and for workers and their unions to have a substantial voice in factory safety.

PVH, the parent company of Calvin Klein, Tommy Hilfiger and Izod, also announced on Monday that it would join the plan, an expanded version of an earlier proposal that PVH was one of two companies to sign. The new plan lasts five years, the previous one two years.

Ever since the collapse of the Rana Plaza building on April 24 on the outskirts of Dhaka, Bangladesh's capital, H&M, Wal-Mart, Gap and other companies have faced intense pressure to sign the agreement. Until Monday, only PVH and Tchibo, a German retailer, had.

In announcing its move, H&M said that "in order to make an impact and be sustainable," the agreement "would need a broad coalition of brands." A company statement said the agreement committed a company to the goal of a safe and sustainable garment industry in Bangladesh "in which no worker needs to fear fires, building collapses or other accidents that could be prevented with reasonable health and safety measures."

"Fire and building safety are extremely important issues for us and we put a lot of effort and resources within this area," said Helena Helmersson, head of sustainability at the retailer. "With this commitment we can now influence even more in this issue. We hope for a broad coalition of signatures in order for the agreement to work effectively on ground."

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Stock regulator seeks ideas to attract foreign investors

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission is looking for suggestions from stakeholders on attracting foreign investment, as the regulator is preparing a guideline.

The stockmarket regulator yesterday sat with the bourses, four leading stockbrokers, merchant bankers' association and listed companies' association, and requested them to send suggestions on preparing the foreign investment guideline.

In December last year, the BSEC formed a panel to prepare the guideline and the committee has already submitted its recommendations.

The foreign investors, most of whom are global fund managers, come here either on their own or influenced by some local stockbrokers.

Foreign investment, also known as portfolio investment, accounts for less than 1 percent of the total market capitalisation of Dhaka Stock Exchange.

Syed Sazid Hossain, chief executive officer of Chittagong Stock Exchange, said the meeting discussed the lack of corporate governance among the listed companies, which is a major barrier to attracting foreign investment in the market.

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Tax breaks to continue in some sectors: Muhith

STAR BUSINESS REPORT

The government will continue tax breaks for different sectors until 2015 instead of bringing an end to it this year, Finance Minister AMA Muhith said yesterday.

"The government will extend the tenure of the privilege in the upcoming national budget for 2014-15," Muhith said at a press briefing at the secretariat in Dhaka.

The government will reduce the subsidies in agriculture to Tk 9,000 crore from Tk 12,000 crore. "The allocation will be lower, but there will be no arrears in the incentives this time."

Muhith was taking questions from reporters after receiving a set of 58 recommendations for the agriculture sector prepared by Shykh Seraj, media personality and chief news editor of private television Channel i.

The recommendations were prepared by the team of an agriculture-based television show -- Hridoye Mati O Manush.

From now, only the finance ministry will process cash incentives allocated for different sectors, as the parent ministries fail to disburse the fund efficiently, Muhith said.

"I am very much disappointed with the livestock ministry, which failed to utilise a fund of Tk 100 crore efficiently in the current budget. It received all kinds of incentives in the last four years, but it did nothing."

Farmers with special cards get diesel subsidies from the government, he said, adding that the same process will be followed to disburse fertiliser.

The government is constructing a fertiliser factory in Sylhet with the help of the Chinese government, Muhith said.

Many multinational companies have started commercial production of eggs and chickens in Bangladesh without any right to do that, the minister said.

Such illegal business practices of the multinational firms, which are allowed to produce day-old chicks only, are damaging the local poultry industry, he said.

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