

# SME credit scoring to help sector's development

## Analysts speak at a seminar

STAR BUSINESS REPORT

Credit scoring by small and medium enterprises (SMEs) can drive loan efficiencies in the sector, analysts said yesterday.

In Bangladesh, 90 percent of the private sector enterprises are SMEs, which contributed about 25 percent to last year's GDP, said SK Sur Chowdhury, deputy governor of Bangladesh Bank.

"This sector plays a significant role in generating economic growth and jobs, together with making significant contribution to exports. In that sense, SMEs are an important driver of inclusive growth as well," Chowdhury said.

As a result, the central bank, along with other stakeholders, has been

working relentlessly for the sector's further development.

"The central bank has taken a number of steps to promote SME lending. But patronising the SME sector does not mean we can sacrifice loan quality."

BB has already provided Tk 23.97 billion as of July 2012 to different banks and non-bank financial institutions at subsidised interest rates for the SME sector, according to Chowdhury.

"Application of the credit scoring method to measure a prospective customer's risk allows us to differentiate loan terms or service for clients by risk group. It opens up possibilities to increase operational efficiency in disbursements and collections."

The success of credit scoring system, however, depends on active management, regular monitoring and periodic adjustment, which largely depends on informed, trained and equipped bank personnel, he said.

Chowdhury's comments came at a seminar on SME credit scoring, jointly organised by Bangladesh Institute of Bank Management, Bangladesh Bank Training Academy and Bangladesh INSPIRED, a European Union-funded project.

"The main objective of INSPIRED programme is to reduce poverty in Bangladesh by supporting the development of SMEs in the country," said AKM Rafiqul Islam, deputy secretary of industries ministry and deputy project director of INSPIRED.

## Stocks continue to gain from optimism

STAR BUSINESS REPORT

Stocks gained for the third day powered by investors' buying spree riding on fresh optimism.

DSEX, the benchmark general index of the Dhaka Stock Exchange, closed the day at 3,679.83 points, after surging 40.03 points or 1.03 percent.

Investors' participation continued to move up to boost turnover to a 48-session high, IDLC Investments said in its daily market analysis.

Turnover, the most import indicator for the market, gained 13.12 percent to Tk 295 crore from the previous day.

Q1 expectations driven movements continued to dominate the bourse, the investment banker said. Budgetary expectations also seemed to pull in investors to the market, it said.

"Three consecutive bullish days with consistently increasing turnover is reduc-

ing confusion among investors and a bullish sentiment seem to be taking place," LankaBangla Securities said in its regular market analysis.

High turnover indicates that both institutional and individual investors are taking long positions in this deeply discounted market, the stockbroker said.

Investors are probably speculating significant incentives for capital market in the upcoming budget for 2013-14 as this is an election year, it said.

An aggregate of 1.05 lakh trades were executed with 9,07 crore shares and mutual fund units changing hands on the Dhaka bourse.

Of the 277 issues that traded on the DSE, 181 advanced, 84 declined and 12 remained unchanged.

Telecoms gained 5.72 percent as its two issues, GP and Bangladesh Submarine Cable Company gained 5.7 percent and 6.2 percent respectively.



People take a look at a van of Xpress Money in Tangail, as the global money transfer brand has recently launched a month-long financial literacy campaign in the country on April 29.

## Lufthansa reports passenger numbers down in April

AFP, Frankfurt

Lufthansa, Germany's number one airline, said on Monday that its passenger numbers were down in April.

Lufthansa said in a statement it carried 8,586 million passengers in April, 2.0 percent fewer than during the same month last year.

At the same time, capacity edged up fractionally by 0.2 percent so that the so-called critical seat-load factor, which measures the number of seats filled on flights, slipped by 0.2 percentage points to 78.3 percent, the statement said.

Lufthansa -- which also owns Austrian Airlines and SWISS -- said the number of passengers on Lufthansa-only flights fell by 1.4 percent to 6,228 million last month.

Austrian Airlines passengers decreased by 6.4 percent to 922,000, while the number of passengers flying with SWISS was down 1.4 percent at 1,436 million.

The volume of freight transported by its Lufthansa Cargo unit slid by 2.0 percent to 138,000 tonnes last month, the statement added.

## A ray of hope for jobseekers

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This initiative will work as a 'strategic response' to tackle the unemployment problem, he said.

Career planning is still unclear to most students, said Ainun Nishat, the vice chancellor of BRAC University.

These events will help the graduates know about their strengths and weaknesses, he said.

A lack of skilled human resources is one of the biggest impediments to economic development, said Matiur Rahman, editor of the Prothom Alo.

"We often don't see the right people at the right places."

The Prothom Alo and The Daily Star will work as the events' associate partners, while Channel i and ABC Radio will be the media partners.

Mahfuz Anam, the editor and publisher of The Daily Star, and Sanaullah Lablu, chief operating officer of ABC Radio, also spoke.

## Rejoinder and our reply

FROM PAGE B1

Mercantile Bank also confirmed on February 6, 2013 that there remained no liabilities relating to the accounts concerning Alam as on October 8, 2012.

After all investigation and formalities Bangladesh Bank vide their letter dated February 13, 2013 by way of caution has cleared the matter and there remains no scam as of today, the statement says.

### Our reply

The allegations, figures and comments that The Daily Star report carried were sourced from a number of documents such as Bangladesh Bank letter to the managing director of Mercantile Bank Ltd, a letter from the managing director of the bank to Nanda Dulal Bhattacharjee -- the then manager of Agrabad branch and currently executive vice president of the bank, and Bhattacharjee's reply to the managing director about his role.

However, we failed to include in our story that the matter has been settled with Bangladesh Bank. We regret the incompleteness of the report.



Shahnaz Rahman, chairman of Bangladesh Lamps Ltd, attends the 52nd annual general meeting of the company in Dhaka on Sunday. The company declared 20 percent cash dividend for 2012. Directors Latifur Rahman, Rokia A Rahman and Chief Operating Officer Md Habibur Rahman Mollah were also present.



Anwar Hossain, head of sales and marketing of Dhaka Regency Hotel, and Dabir Uddin Ahmed, director for clinical operations of United Hospital, exchange documents of a corporate deal recently to provide priority corporate benefits and medical services to Premier Club members and the hotel's associates.

## Western Marine to build new container vessel

STAFF CORRESPONDENT, Ctg

Ilias, chairman of Banca Shipping, signed a deal on Sunday.

The 160 TEU (twenty equivalent unit) ship will be built at a cost of Tk 27.5 crore under the supervision of Germanischer Lloyd to ensure quality.

The government issued 50 licences for inland container ships to ply the Chittagong-Pangaon route, with Western Marine receiving work orders for six.

Sakhwat Hossain, managing director of Western Marine Shipyard, and Mohammed

## Political unrest sends loan defaults soaring

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Furthermore, many bank officials said the inspection drive by the central bank towards the end of last year led to the unearthing of many defaults, all of which were reflected in the first quarter's figure.

In 2012, a lion's share of the default loans was in the state-owned banks, particularly the Sonali Bank, because of the various scams that took place.

Interestingly, of the four state-owned commercial banks only Sonali Bank was able to cut its default loans down by Tk 300 crore, in the first quarter of 2013. Sonali Bank's default loan total now stands at Tk

11,746 crore. "The fall in default loan was due to a pick-up in recovery," Pradip Kumar Dutta, managing director of Sonali Bank, told The Daily Star.

During the quarter, Dutta said the bank has recovered Tk 1,503 crore, whereas it managed only Tk 846 crore in the whole of the last year.

"The liquidity situation of Sonali Bank has much improved this year. We have not borrowed from the call market or the central market at all; rather, we lent them money."

But loan defaults rose at three other state-owned commercial banks: Janata, Agrani and Rupali.

## Major retailers join Bangladesh safety plan

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H&M and Gap were the target of an online petition that obtained more than 900,000 signatures and was sponsored by Avaaz, a human rights group. The petition said, "Your companies and other multinationals profit from cheap labor, and can do much more to reduce the dangers of the places where your products are made."

"H&M's decision to sign the accord is crucial," said Scott Nova, executive director of the Worker Rights Consortium, a Washington-based factory monitoring group backed by 175 American colleges and universities. "They are the single largest producer of apparel in Bangladesh, ahead even of Wal-Mart. This accord now has tremendous momentum."

PVH also said on Monday that it would contribute \$2.5 million to underwrite factory safety improvements as part of the new plan.

Gap has resisted signing on, objecting to its legally binding nature and saying it was already doing a lot on its own, having hired a fire inspector and promised \$22 million for factory improvements.

Bangladeshi labour groups that have sifted through the Rana Plaza rubble have not found any evidence that H&M or Gap had garments made at any of the five factories in the building.

But numerous investor, religious, consumer and labour groups are pressing other companies known to have obtained apparel from the factories there -- Benetton, Cato Fashions, the Children's Place, el Corte Ingles, Loblaws and Primark -- to sign on to the safety plan.

Over the last week, H&M was in intense negotiations on the plan with officials from IndustriALL Global Union, a federation of 50 million workers from 140 countries and from UNI Global Union, a federation of 20 million service sector workers.

In a meeting sponsored by the German government that H&M, Wal-Mart and other retailers held with IndustriALL and other labor and nongovernment organizations two weeks ago, IndustriALL set a deadline of this Wednesday for retailers to sign on to what has often been called the PVH-Tchibo plan.

## Stock regulator seeks ideas to attract foreign investors

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"The meeting also discussed increasing the IPO quota for non-resident Bangladeshis, reducing the capital gain tax on foreign investors and listing multinational companies to attract more investment," he added.

Kh Asadul Islam Ripon, managing director of City Brokerage, said zero capital gain may attract foreign investors.

Currently, a foreign investor has to pay a 25 percent capital gain tax. "Instead of capital gain tax, a turnover tax or sales tax or stamp duty can be introduced."

He said this will not only reduce the foreign investors' burden of appointing a tax lawyer or consultant to calculate their taxes, but also benefit the government through direct tax collection at every transaction.

From January to April, foreign investors bought shares worth Tk 560.35 crore and sold shares worth Tk 193.12 crore. In 2012, foreign investors bought stocks worth Tk 1,348.41 crore and sold shares worth Tk 555.8 crore.

Banks were the foreign investors' preferred sector, but non-bank financial institutions, power and energy, pharmaceuticals, multinationals, telecoms and IT also caught their attention.



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Bhagwan W Kundanmal, chairman of STS Holdings Ltd, owner company of Apollo Hospital, attends the company's 16th annual general meeting at the hospital premises in Dhaka yesterday. The company's net profit rose by 35.79 percent to Tk 38.7 crore. Khondoker Monir Uddin, managing director of STS, was also present.



Jim McCabe, chief executive of Standard Chartered Bangladesh, presents a cheque for Tk 29 lakh to Mohammed Nurul Amin, chairman of the Association of Bankers Bangladesh, for the victims of Rana Plaza building collapse, at a programme recently.

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