

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.



BANGLADESH LAMPS

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.



DHAKA REGENCY

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.

India's central bank puts a curb on gold imports

AFP, Mumbai

India's central bank on Monday announced steps to restrict the import of gold by banks in a move to stem the country's widening current account deficit.

"To moderate the demand for gold for domestic use, it has been decided to restrict the import of gold on consignment basis by banks, only to meet the genuine needs of exporters of gold jewellery," Reserve Bank of India said.

The decision takes effect immediately, the bank added in a statement.

India is the world's biggest consumer and importer of gold, with purchases an essential part of religious festivals and weddings.

Many Indians -- especially in rural areas where there are few banks -- buy gold in the form of jewellery, bars and coins as a hedge against inflation.

But India is seeking to deter vast gold imports, one of the main contributors to the deficit in the current account, the broadest measure of trade.

The hefty current account deficit totalled \$32.6 billion or a record 6.7 percent of gross domestic product (GDP), in the three months to December, as imports outpaced exports.

The RBI described the widening current account deficit as the "biggest risk" to the Indian economy, when it cut interest rates earlier this month.

Earlier in the day, government data showed that gold imports rose 138 percent in April to \$7.5 billion, against \$3.1 billion a year earlier.

The surge in gold purchases in April sent India's trade deficit to \$17.8 billion, up more than 72 percent from a month earlier, official data showed, as retail buying increased after a sharp fall in global gold prices.

India imports about 900 tonnes of gold each year, mainly through designated banks. The government in January increased the import duty on gold to six percent from four percent.

Tax breaks to continue

FROM PAGE B1

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

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

Such illegal business practices are damaging the local industry, he added.

Loan defaults soar on political unrest

FROM PAGE B1

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.

China shadow banking growing fast: Moody's

AFP, Beijing

China's shadow banking activities have risen nearly 70 percent over the past two years and now total more than half the size of the world's second-largest economy, ratings agency Moody's said Monday.

Shadow banking includes private lending, off-balance-sheet vehicles and trusts, and allows borrowers to circumvent banks' formal underwriting standards, as well as official regulation. Such lending has surged 67 percent since the end of 2010, Moody's said in a report, reaching an estimated total of 29 trillion yuan (\$4.7 trillion) at the end of last year, or 55 percent of China's GDP.

The rapid growth was partly due to some borrowers having difficulties obtaining regular bank loans, according to the report, and threatened the health of the banking system and the overall economy.

"Shadow banking may encourage excessive financial leverage in the broad economy and add to credit bubble concerns," Moody's said.

"Given the substantial scale and growth of shadow banking activities in China, we are doubtful of the banks' ability to isolate themselves from a significant increase in defaults in the shadow banking domain."

China's banking regulator has sought to rein in non-transparent lending activities and in March ordered banks to step up checks on wealth management products as part of a bid to boost risk control and openness.

But Moody's said: "The impact of shadow banking will depend on the amount and timing of losses and how they are allocated, variables that are difficult to assess, given the lack of transparency and fast-evolving nature of shadow banking in China."



APOLLO HOSPITALS

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.



STANCHART

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.



XPRESS MONEY

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.

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.

Tata Steel takes \$1.6b writedown over Europe

AFP, New Delhi

India's Tata Steel, one of the world's biggest steelmakers, Monday announced a \$1.6-billion asset writedown, citing slumping demand in its main European market.

Tata Steel, which bought Anglo-Dutch steel giant Corus for \$13.7 billion in 2007, has been struggling to improve its performance in Europe, which accounts for about two-thirds of sales and production for the steelmaker.

"The company expects a non-cash writedown of the goodwill and assets in the consolidated financial statements for the year ended March 31, 2013 of around \$1.6 billion," the company said in a statement.

The announcement comes as the global steel industry faces an uncertain outlook and slowing growth due to the eurozone debt crisis while India's economy has weakened sharply.

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 a 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.

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