

BUSINESS

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Higher provisioning weighs on banks as political unrest lingers

Scams also push up defaults

REJAUL KARIM BYRON

Banks' provisioning requirement increased 25 percent in the first quarter of 2013 from the previous quarter on the back of rising classified loans.

Some Tk 30,410.88 crore needed to be set aside as provisioning for the quarter that ended on March 31, 2012, up from the previous quarter's Tk

sified loans, and hence the need for greater provisioning," an official of a state bank said, preferring not to be named.

Total classified loans on March 31, 2013 stood at Tk 51,019.91 crore, up 19.4 percent from the quarter that ended on December 31 last year.

In the event that the classified loans default, banks have to set aside

The new loan classification rules introduced by the central bank on December 31, 2012 also had a role to play in the quarter's higher provisioning requirement, said a high official of Bangladesh Bank.

"To enhance our loan classification policy to international standards and bring the banks out from the abyss of default loan culture, the new policy was introduced."

Classified loans are sorted into three categories -- bad, doubtful and sub-standard -- with the provisioning requirement varying between them.

Under the new policy, if a loan remains overdue for three months it is classified as sub-standard; previously, the time frame was six months.

"The banks' provisioning requirements multiplied as a result," the BB official said, adding that the borrowers would not be affected.

The overdue borrower would not be identified as a defaulter and continue to receive fresh loans, he added. "A special facility has been created for them."

Of the quarter's total classified loans, 19.3 percent, or Tk 9,829.01 crore, accounts for sub-standard loans.

OVERALL LOANS		IN CRORES OF TAKA				
AS OF MAR 31, 2013		State Banks	Private Banks	Foreign Banks	Specialised Banks	Total
Outstanding	90,208	287,193	23,029	28,261	428,693	
Classified	24,403	17,879	1,058	7,678	51,019	
Gross Default (%)	27.05	6.23	4.6	27.17	11.9	
Net Default (%)	15.73	2.11	-0.06	20.66	5.84	
Provision to Maintain	8,744	9,785	951	1,471	20,952	
Provision Shortfall/ Surplus	-7,468	-288	10	-1,712	-9,458	

SOURCE: BB

24,239.21 crore, according to data from the central bank.

But the banks have managed Tk 20,952.65 crore, meaning a provisioning shortfall of Tk 9,458.23 crore.

"Political unrest and various scams in recent times have substantially pushed up the amount of clas-

an amount to cover the potential loss and ensure solvency. This, essentially, is called loan-loss provisioning.

The increase in loan-loss provisioning means the bank's immediate profitability would be lower: the amount would be taken out from present income and spread across future ones.

Realtors eye better days as ban on gas connections goes

SUIMAN SAHA

Realtors now expect better days ahead as the government has recently lifted a ban on new gas connections to households after a lull of around three years.

The move would help increase apartment sales significantly, they said.

Around 20,000 ready flats worth more than Tk 10,000 crore remain unsold mainly due to gas crisis and restrictions on electricity connections, said Md Wahiduzzaman, acting general secretary of Real Estate and Housing Association of Bangladesh (REHAB), a platform of the realtors.

"The decision will give an impetus to sales," he added.

Initially, around 58,000 households that are now using gas illegally

would get connections, according to the decision.

Besides, the households that had submitted demand notes and fees before the ban was imposed in July 2010 will get connections in phases.

Petrobangla, the government-owned oil and gas corporation, formally initiated the process of giving new gas connections by issuing a notice in different newspapers yesterday.

Apart from gas and electricity crises, the realtors are facing a number of challenges such as higher lending rates and apartment registration cost, and political uncertainty.

The government should have lifted the restriction much earlier, said Toufiq M Seraj, managing director of Sheltech (Pvt) Ltd, a real estate com-

pany.

The decision will bring momentum to the sector, he added.

Sheltech has now 25 ready flats in Dhaka, Seraj said, adding that the new connections will help them hand over the flats to customers quickly.

Realtors slowed their construction work and stopped taking new projects due to frequent shutdowns and uncertainty over getting electricity and gas connections.

"The new move comes as a ray of hope amid the downtrend," said Md Kamruzzaman, managing director of Greho Noksha Holdings Ltd, another real estate company, which has around 40 ready apartments in Dhaka and Chittagong.

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Roberto Azevedo

New chief vows to revive WTO

AFP, Geneva

Brazil's Roberto Azevedo vowed to revive the deadlocked World Trade Organisation, as he was confirmed Tuesday as the incoming leader of the body which sets the rules for global commerce.

"I have been working in and with this organisation continuously for the last 15 years," Azevedo, still officially Brazil's WTO ambassador, told the 159-country organisation's assembly which approved him by consensus as its next leader.

"I have seen it in much better days. I pledge to all members that I will work with them, with unwavering and steadfast determination, to restore the WTO to the role and pre-eminence it deserves and must have," he said.

Azevedo takes over from Frenchman Pascal Lamy on September 1, and said he would unveil his plans nearer the time.

In a recent interview with AFP, however, he underlined that global trade talks were in "complete paralysis" and that it was time to "unclog the system," with a "modulation of the ambition" the key to progress.

READ MORE ON B3

Investment slows further amid bickering politics

Sanctioned loans sitting idle in banks

SAJJADUR RAHMAN

Business activities have come to a near-halt because of frequent shutdowns and confrontational political programmes in the last couple of months, bankers and businesspeople said.

The situation worsens further as borrowers are not taking their approved loans and banks are sitting idle amid a sluggish investment demand.

Wholesale markets and large commercial and shopping centres are counting losses everyday.

"There is no investment demand. We have around Tk 100 crore in sanctioned loans that are not being taken by the borrowers," said Mafizuddin Sarker, managing director of BD Finance, a non-bank financial institution.

The picture is even gloomier for banks as they bear greater overheads than non-banks.

"Investment is slow at the moment," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

Pubali is sitting on Tk 2,000 crore in sanctioned loans (funded and non-funded) as the borrowers are not showing any interest in the money.

Officials at other banks shared similar stories and said banks' profit and the government's revenue will both fall if the situation does not improve.

"Banks' loan-deposit ratio has gone

down to 71-72 percent now, which is a sign of a lack of demand for finance," said Anis A Khan, managing director of Mutual Trust Bank.

Khan blamed the political climate for the negative impact on the economy.

He said Mutual Trust Bank has around Tk 1,000 crore in sanctioned loans sitting idle.

Less than two years ago, Bangladesh Bank cautioned the banks against overexposure to lending. The central bank had asked the banks to bring down the loan-deposit ratio to 85 percent, which means that a bank can lend a maximum of Tk 85 against a Tk 100 deposit. Now, the ratio has come down to around 70 percent.

Mostofa Kamal, managing director and chairman of Meghna Group of Industries, said his business activities are seriously being disturbed by the ongoing political violence.

"We are getting squeezed," said Kamal, a leading commodity trader and manufacturer.

"The bank will not waive a single penny, no matter how severe the disruption is," he said.

Abul Hashem, a wholesaler of edible oil and sugar at Moulvibazar market in Old Dhaka, said traders like him have been incurring huge losses for the past couple of months due to shutdowns and violence.

Also, they have to bear the burden of bank interest on funds.

Finance Minister AMA Muhith said on Saturday, "It's a very difficult time. Business is almost at a halt."

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BTRC to provide more WiMAX licences

ABDULLAH MAMUN

The telecom regulator is set to provide more WiMAX licences, in a bid to spread the use of internet.

At present, there are two active WiMAX licence holders, Banglalion Communications and Augere Wireless, both of whom paid Tk 215 crore each at the auction held in September 2008.

However, last month, Bangladesh Internet Exchange Ltd (BIEL), an internet service provider who came fifth in the auction, reapplied for one of the two spare WiMAX licences, which Bangladesh Telecommunication

Regulatory Commission is likely to grant.

"It's time to dispose of the idle WiMAX licences, as it would not be possible to hold another auction," said Sunil Kanti Bose, chairman of BTRC.

"If any party is willing to pay the amount, sure, they can have the licence," he added.

BIEL, a subsidiary of Multinet Group, said in its application it is prepared to pay the sum the other two private bidders paid in the auction. The Daily Star could not reach BIEL for comments.

The government, currently, have

two WiMAX licence at its disposal: one which was reserved for the state-owned BTCL, who have now refunded, and the other which remained unsold.

There are other interested parties at present for the remaining WiMAX licence, according to BTRC officials.

WiMAX, short for Worldwide Interoperability for Microwave Access, essentially, provides high-quality broadband access and has a very high penetrability, in that the microwaves it emits can be accessed at every nook and corner of its large coverage area.

Correction

We mistakenly carried a faulty graph with yesterday's story headlined "Political unrest sends loan defaults soaring". Actually, the amount of default loans at state banks was Tk 21,515 crore in December 2012 and Tk 24,403 crore in March 2013.

Such loans at private banks were Tk 13,035 crore in December 2012 and Tk 17,879 crore in March this year.

At foreign banks, the amount was Tk 845 crore and Tk 1,059 crore in December 2012 and March 2013 respectively.

Specialised banks saw their default loans rise to Tk 7,678 crore in March this year from Tk 7,330 crore in December 2012. We regret the errors.

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