

## Rein in inequality to cut poverty further

Analysts see bad governance and graft as serious hurdles

STAR BUSINESS REPORT

Bangladesh should put more efforts to address inequality and corruption in its fight against poverty, analysts said yesterday.

They said disparity, bad governance and graft have emerged as serious challenges for the country, which has made commendable achievements in bringing more people out of poverty trap.

They spoke at a discussion -- Bangladesh's poverty eradication efforts: evaluating the World Bank's assessment report -- at the National Press Club in Dhaka.

The Hunger Project-Bangladesh, an NGO, organised the programme, a month after the Washington-based lender released a report -- Bangladesh Poverty Assessment: Assessing a Decade of Progress in Reducing Poverty, 2000-2010.

Despite a growing population, the number of poor declined by 26 percent in 10 years, bringing their number to 47 million in 2010 from nearly 63 million in 2000, according to the WB report.

MM Akash, a professor of economics at Dhaka University, said the WB report gave a positive picture about the country's economy following many years of negative



From left, Badiul Alam Majumdar, country director of the Hunger Project; Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies; Prof Rehman Sobhan, chairman of Centre for Policy Dialogue; MM Akash, a professor of economics at Dhaka University; Prof Mustafizur Rahman, executive director of CPD; and Iffath Sharif, senior economist of the World Bank, attend a roundtable on poverty, at the National Press Club in Dhaka yesterday.

outlook.

He said the country will have to pay attention to policy issues to cut poverty further.

Prof Rehman Sobhan, chairman of Centre for Policy Dialogue (CPD), said the report should have

come up with policy suggestions and presented serviceable recommendations for the country, so their implementation could bring structural changes to the lives of the poor.

He also urged the WB to launch such projects that would provide

the farmers with equitable market participation.

The economist criticised the market system where workers are hired and fired at will of the employers.

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## Bad debts on the rise at non-banks

REJAUL KARIM BYRON

Default loans at non-bank financial institutions rose by 0.42 percent in the first quarter this year from the same time last year.

However, the amount of their bad loans is much lower than that of the banks.

The financial institutions' default loans were 5.87 percent of their total outstanding loans of Tk 1,527 crore on March 31, according to central bank statistics.

However, at the same time, the banks' bad loans stood at 11.9 percent or Tk 51,019 crore; the amount would stand at more than Tk 70,000 crore if the write-off loans are added.

Bangladesh Bank Executive Director Mahfuzur Rahman told The Daily Star that the financial institutions' investment is low and for this, both the BB and the concerned financial institutions maintain strong monitoring to keep their bad loans low.

At the end of March, the total outstanding loans of the banks were Tk 428,693 crore, while the amount was Tk 26,016 crore for the financial institutions.

An entire department monitors this sector, which enables the BB to keep a close eye, Rahman added.

The central bank is working not only to rein in the default loans but also improve their overall financial health. The capital ceiling of the financial institutions has gradually been raised to Tk 100 crore initially, which was Tk 2 crore to Tk 2.5 crore, he said.

Many of the institutions have crossed the ceiling but those who still have a shortfall are being pressurised to raise their capital ceiling, Rahman said.

Among the 30 financial institutions, the default loans are above 10 percent at eight, according to BB statistics. However, the amount is within 3 percent at 19 institutions.

### DEFAULT LOAN OF NBFIS

IN PERCENTAGE OF TOTAL OUTSTANDING	
AGRANI SME	8.31
BD FINANCE	5.54
BIFC	13.38
BAY LEASING	3.32
DBH	0.3
FAREAST FINANCE	19.58
FAS	12.11
FIRST LEASE FINANCE	15.56
GSP FINANCE	11.64
HAIJ FINANCE	14.3
IDLC	1.86
IIFC	8.24
IPDC	9.35
IDCOL	1.13
INTERNATIONAL LEASING	10.69
ISLAMIC FINANCE	5.31
LANKABANGLA FINANCE	4.08
NATIONAL FINANCE	0.48
NATIONAL HOUSING	6.59
PEOPLES LEASING	5.84
PHOENIX LEASING	3.77
PREMIER LEASING	13.87
PRIME FINANCE	8.65
SABINCO	4.54
THE UAE BD	0
UNION CAPITAL	16.57
UNITED LEASING	4.32
UTTARA FINANCE	4.43

Bangladesh Leasing and Finance Companies Association Chairman Asad Khan said it is convenient to monitor the non-banks as they are few in number.

Khan, also the managing director of Prime Finance Ltd, said the officials of the company constantly monitor a customer loan when it turns bad, which is not always possible for banks.

READ MORE ON B3

## Sunamganj's haor area to get the biggest solar power plant

SUMAN SAHA

The government will install the biggest solar power plant of the country at the haor areas of Sunamganj to provide electricity to about 900 families.

The plant with a 650 kilowatt peak (kwp) capacity will be set up at Sulla upazila of the north-eastern district within the next eight months.

Bangladesh Power Development Board (BPDB) inked a deal last week with Rahimafrooz Renewable Energy Ltd to construct the plant and associated distribution line at a cost of Tk 24.5 crore.

"We are going to install the solar mini grid plant to provide electricity to the off-grid areas at a subsidised rate," Md Shafique Uddin, director of renewable energy research and development of the BPDB, said.

The plant is expected to generate 400 kW load per day, sufficient to meet a significant portion of the electricity demand of Aguai village of Habibpur union parishad in Sunamganj, he said.

"We will set up the plant and the distribution network on a turn-key basis," said Munawar Misbah Moin, managing director of Rahimafrooz Renewable Energy Ltd.

The system will consist of 2,300 panels of 280 watts, he said.

"This is going to be the largest solar PV (photovoltaic) power plant in the country till now and one of the largest off-grid PV plants in the region," Moin said.

A six-kilometre distribution line will be built to provide electricity connection to the area, according to Shafique Uddin.

The plant's per unit production cost is expected to be Tk 30, but customers will pay Tk 4-8 depending on the amount they will consume as the government will provide

subsidies on it, he said. Families in the area will have to follow the same procedure as the grid-area ones do to get connections, said the BPDB official.

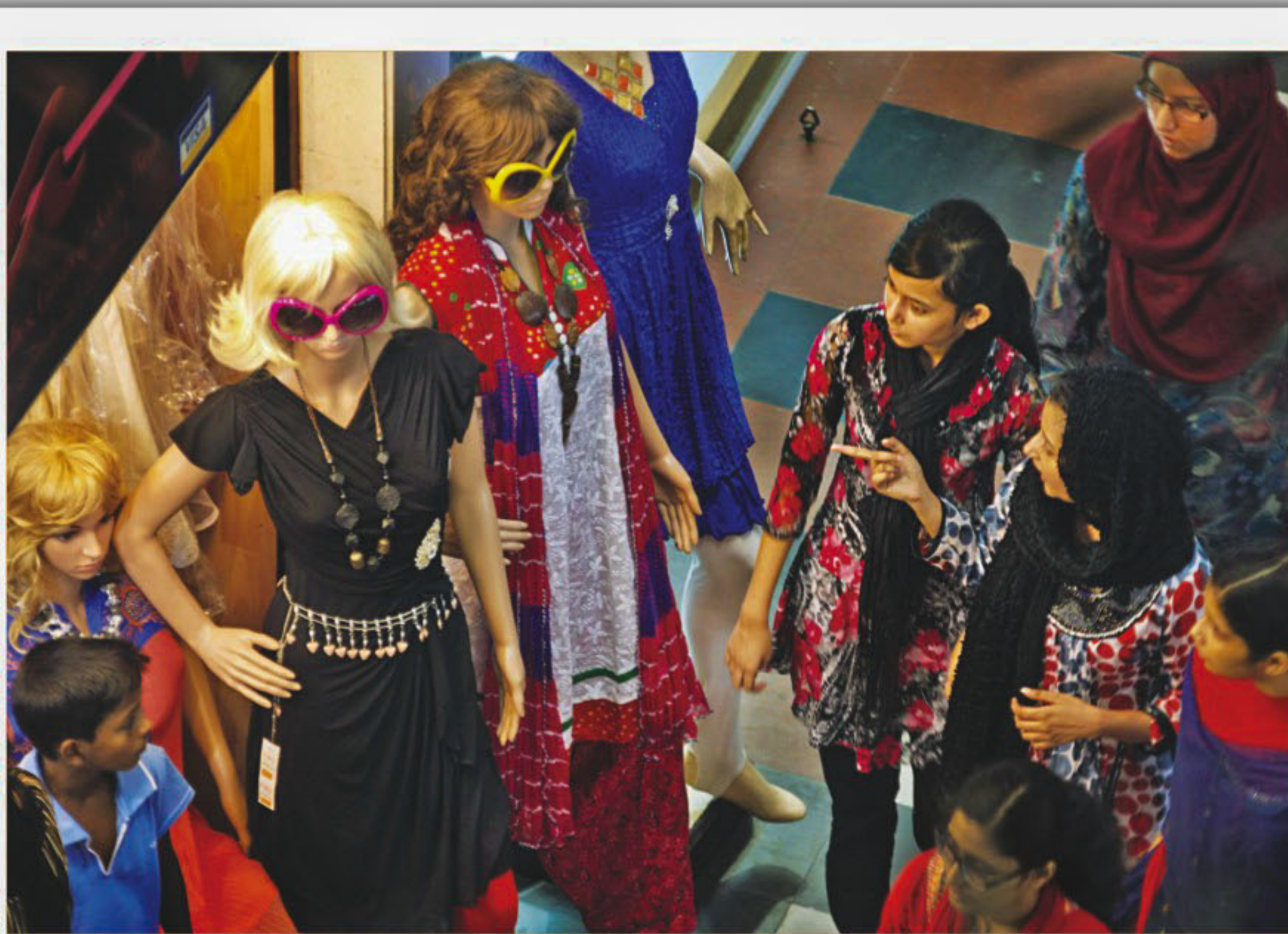
Rahimafrooz will maintain the first year operation of the plant, with BPDB to take over from then. The plant is expected to last about 20-25 years.

The government-run 57-kilowatt plant at Kaliakoir Hightech Park, a 200 kwp on the rooftop of the Bangladesh Bureau of Statistics building in Dhaka and the privately owned 100-kilowatt one in Sandwip are the three other big solar power plants.

The country produces 6,000-6,500 megawatts of electricity against a daily demand for 7,000MW on average, according to official estimates.

Seventy megawatts of power is already being generated from renewable energy sources, with plans to produce additional 49 megawatts from solar power, according to the budget document of the government.

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Customers check out clothes at a shop at Bashundhara City in Dhaka yesterday as Eid shopping gathered momentum after a long spell of shutdowns.

## Malls abuzz with Eid crowds, after shutdowns

SOHEL PARVEZ

Malls and markets finally saw the hustle and bustle of Eid shopping over the weekend following four days of shutdowns last week that forced many to shelve purchase plans amid fears of violence.

"We saw the real crowd on Friday and we had good sales," said Khandker Afzal Hossain, manager of a boutique -- Bibiana, at Bashundhara City shopping mall in the capital.

"Before the weekend, we didn't feel the Eid festival was approaching," he said.

Businesses said Eid sales have been picking up slowly since the first weekend during the fasting month of Ramadan.

But sales were stymied by the shutdowns enforced by Bangladesh Jamaat-e-Islami protesting the verdicts in war crimes trial against its top leaders.

The losses frustrated both wholesalers and retailers who invest a huge amount during the season that logs the highest sales of the year.

On Friday and Saturday, a huge number of city dwellers came out to do their planned shopping. City roads leading to shopping malls and markets were clogged with vehicles, and markets were abuzz with shoppers.

"We couldn't come before because of the shutdowns. That's why we chose the weekend," said Md Iqbal Hossain Khan, who came to Bashundhara City with his family yesterday.

"I'll come again for shopping after drawing salary for this month," he said.

Upbeat over a huge customer turnout, Md Siam Sojib, owner of a sari shop at the shopping mall, expects a surge in sales ahead of Eid.

"Our sales slumped in the last

several days. If there are shutdowns again, we will be in serious trouble," he said.

Sojib invested Tk 60 lakh, part of which is a bank loan, targeting the Eid sales and so far got back one-sixth of the invested money.

"Many avoided shopping in the past several months amid political turmoil. We thought they would buy more before the Eid festival. So we have invested a higher amount," he said.

Rashidul Islam Badal, in-charge of an Apex shoe showroom at Bashundhara, said increased crowds helped stores make up part of their losses.

Badal said their sales were higher than the target, at around Tk 40 lakh, on Friday. "We hope to cross the target today as well," he said yesterday.

Md Noor Kas Manik, owner of RM Sari at Gausia market, also echoed Badal, saying sales were high on the weekend.

## REFINANCING SCHEME

# Stock investors to pay 8pc interest on loans

GAZI TOWHID AHMED

The financially affected investors will get loans at an interest rate of 8 percent a year for three years from the government's Tk 900 crore refinancing scheme, according to a proposed guideline by Bangladesh Securities and Exchange Commission.

The five-member panel, headed by Arif Khan, a member of the commission, submitted the guideline to the finance ministry on Thursday.

The panel has worked to develop a guideline to disburse the first instalment of Tk 300 crore for merchant banks and stockbrokers. The remaining Tk 600 crore will be released in two parts by December.

The move came in line with the finance ministry's recommendation on July 7 to the market regulator to develop a guideline for the refinancing scheme.

The central bank on behalf of the government will transfer the fund to the account of the state-run Investment Corporation of Bangladesh (ICB) after finalising the guideline.

The guideline proposed to form an inspection committee, including representatives of Bangladesh Bank, BSEC and ICB, to implement the scheme in phases.

The securities regulator will cancel licences of merchant banks and stockbrokers if they fail to repay the loans, it said.

The borrowers will have to repay the loans every three months and should give corporate guarantee against the loans to the ICB, according to the guideline.

In a letter to the finance ministry last month, the BSEC sought Tk 900 crore for merchant banks and over Tk 600 crore for brokerage houses of Dhaka and Chittagong stock exchanges to bring back stability to the ailing stockmarket.

"The major portion of the loans of the merchant banks given to investors remained unrealised because of an unexpected market condition. On the other hand, merchant banks are repaying the instalments of loans that were taken from the commercial banks at higher interest rates," the BSEC said.

The government in March 2012 had announced the compensation package that also included an interest waiver on margin loans for the investors who suffered losses during the market crash in 2010.

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