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Star BUSINESS

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Curbs put on BASIC lending

BB imposes conditions to check irregularities in giving loans by the state bank

REJAUL KARIM BYRON

The central bank has asked BASIC Bank to fulfil certain conditions for giving loans of Tk 10 crore and above as significant loan-related irregularities were detected in the state-run bank.

BASIC will have to meet 15 major conditions to improve its financial health and restore credit discipline, according to a memorandum of understanding it signed with Bangladesh Bank last month.

The BB will monitor on a quarterly basis if the conditions are fulfilled, and if the bank fails to do so, an observer will be appointed at the bank, and its top management will be restructured, a BB official said.

In granting loans of Tk 10 crore and above, the bank will have to get its "know your customer" form filled in properly and take a detailed and latest report on the prospective borrower from the Credit Information Bureau.

The bank will also verify credit worthiness of the borrowers with due focus on their profitability and cash flow, accomplishing credit risk grading for lending risk analysis, and take necessary collateral.

Also in granting such loans, opinions of the credit committees of branch and head offices have to be taken so that both the parties remain liable for the loans.

To avoid concentration of large loans, the bank will not give funded loans more than 10 percent of its capital to any single borrower.

The board of directors and the management are entrusted to operate the bank in a sound and prudent manner, the MoU said.

"Off-site supervision reports and some other findings state about the deteriorating conditions of different aspects of the bank which are aggravating over time and may put the overall financial condition of the bank into vulnerability," a BASIC Bank official said, quoting the MoU.

The BASIC Bank board and management will have to maintain the conditions set in the MoU meticulously and with utmost sincerity, the official said.

On March 31, BASIC faced a capital shortage of Tk 128 crore, 50 percent of which will have to be maintained by September and the rest by December.

The bank's gross classified loan has to be brought down to 5 percent of its outstanding loans within the December deadline, according to the MoU.

The central bank also said, in every quarter the loan growth of the bank will not be more than 2.5 percent, and the growth will not be more than 10 percent in December this year over the same month a year ago.

If BASIC cannot maintain this, a penalty of around 6 percent (bank rate plus 1 percent) will be imposed by the central bank under the Banking Companies Act.

The MoU also mentioned names of four branches and asked the bank to take serious drives for loan recovery at the branches where serious irregularities were detected.

BASIC will initiate special drives to recover the loans disbursed unfairly from its main branch and Dilkusha, Shantinagar and Gulshan branches, according to the MoU.

Effective measures will have to be taken to ensure cash recovery against the default loans.



Rehman Sobhan, chairman of the Centre for Policy Dialogue, speaks at the launch of a civil society initiative to monitor commitments and implementation of promises made by local and international organisations following the Rana Plaza collapse, at the Cirdap auditorium in the capital yesterday. Relates stories on page 1

Weak governance is the root of all RMG troubles

Analysts blame political trends for the misfortune in the sector

STAR BUSINESS REPORT

Weak governance is the root of all troubles in the country's garment industry, a noted economist and politicians said yesterday.

The problems like the building construction flaws or unsafe working conditions represent the current social system, Prof Rehman Sobhan, chairman of the Centre for Policy Dialogue, said.

They spoke at the launch of a civil society initiative to monitor commitments and implementation of the promises made by the local and international organisations following the Rana Plaza collapse, at Cirdap auditorium in the city.

The CPD chairman said, this was also part of the global problem, as retailers would still continue to search for cheapest sources and the customers would prefer the lowest prices.

Sobhan said part of the problem lies with the dysfunctional regulatory regime. "How do we regulate when nobody could be held accountable?" he questioned.

He also blamed the current trends in politics for the misfortune in the garment sector.

Political parties must get rid of the politicians like the owners of Rana Plaza, he added.

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Commission suggests watchdog for MLM firms

STAR BUSINESS REPORT

An investigation commission has recommended setting up a permanent watchdog to check the re-emergence of multilevel marketing (MLM) companies like Jubok that can potentially cheat people.

The permanent body will work under the finance or commerce ministry and monitor the activities of MLM companies and take action against them, according to the commission set up in the wake of a scam by Jubo Karmasangsthan Society (Jubok).

The commission with a two-year term was formed in May 2011, led by former joint secretary Rafiqul Islam. It submitted its report last month.

To dig into the Jubok scam, the government formed the first commission in 2010, led by former central bank governor Mohammad Farashuddin. The commission in its report said the Jubok customers claimed that the organisation owes them Tk 2,588 crore. It said the money could be paid by selling the tangible and intangible assets of Jubok.

On the basis of the report by the Farashuddin commission, another commission led by Rafiqul Islam was formed later to recommend ways to pay the clients' money.

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48pc of migrant workers lack training: BMET

BELAL HOSSAIN BIPOB

About 48 percent of the five lakh Bangladeshis who migrate abroad a year—particularly to the Middle East—are less-skilled or unskilled, said a director at the Bureau of Manpower, Employment and Training (BMET).

They do not have enough training to compete with the workers of other countries, such as India, Pakistan, Sri Lanka, Nepal and the Philippines, Nurul Islam said.

The majority of the 48 percent have very little or no educational background, said Islam, who supervises skills development.

According to BMET, 33 percent of the workers are semi-skilled while only 19 percent are professionals.

Bangladeshi workers have to work in risky environment and get poor wages as the majority of them get involved in construction and farming, said Anisur Rahman, executive director of IMA Research Foundation, which works on migration.

But workers of other countries get better jobs and receive higher wages than Bangladeshis, he said. "They also send huge remittances home."

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Foreign funds in stocks fall 44pc in July



SARWAR A CHOWDHURY

Foreign investment in stocks dropped 44 percent month-on-month in July, as investors adopted a 'go-slow' policy amid a continuous rise in share prices.

Net investment by foreign investors in the last month stood at Tk 188.54 crore, down from June's Tk 336.60 crore, according to data from Dhaka Stock Exchange.

"Although the foreign investors were following a go-slow policy, they were always on the buy side throughout the month," said Wali Ul Islam, chief executive officer of LankaBangla Securities, a stockbroker.

Foreign investors bought shares worth Tk 257.01 crore and sold stocks worth Tk 68.47 crore last month, according to DSE.

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

In comparison to the emerging markets of Sri Lanka, Vietnam and Pakistan, DSE has a higher growth potential, Islam said. "Ours is a developing economy with a private sector doing very well -- the half-yearly disclosures by the listed company are testament to it."

He, however, expressed concern that any political chaos may hamper the inflow of foreign investment in the country's stockmarket. Also known as portfolio investment, foreign investment accounts for around 1 percent of the DSE's total market capitalisation.

Between January and July, foreign investors bought shares worth Tk 1,498.06 crore and sold stocks worth Tk 397.75 crore, showing net investment of Tk 1,100.31 crore, according to DSE data.

Muslin Cotton Mill ownership transferred

STAR BUSINESS REPORT

The ownership of the once state-owned Muslin Cotton Mill was transferred to a private company, Reefat Garments, which will reopen the mill that was once the largest cotton mill in Asia.

"If the gas connection is available, the mill could be re-opened by December," Textile Minister Abdul Latif Siddique said at the ownership handover ceremony at the mill's premises at Kaliganj in Gazipur.

Meher Afroze, state minister for women and children affairs, handed over the keys and documents of the mills to AK Azad, managing director of Reefat Garments.

Azad, also a former president of the Federation of Bangladesh Chambers of Commerce and Industry, bought Muslin Cotton for Tk 133 crore.

The mill was established on 240 bighas in 1958 and closed in 1994 for mismanagement. It employed 2,885 workers at the time. The company used to make fabrics and yarn out of cotton.

The mill will create jobs for at least 25,000 workers over the next five years, Siddique said.

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