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Star BUSINESS

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Non-collectable loans up 6.26pc in six months

REJAUL KARIM BYRON

Written-off loans grew 6.26 percent in the first six months of 2013, as banks sought to straighten out their balance sheets saddled with default loans.

On June 30, the banks' total written-off loans stood at Tk 25,327 crore, up from Tk 23,835 crore recorded on December 31, 2012. The amount is 5.69 percent of the total outstanding loans (Tk 439,212 crore) and almost half of the classified loans (Tk 52,309 crore).

As is practice around the world, when bad debts become non-collectable banks remove them from their balance sheets. In Bangladesh, the practice started in 2003, with the central bank setting a guideline for the banks to write off loans.

On some instances, the banks afterwards manage to recover part of the written-off loans. Helal Ahmed Chowdhury, managing director of Pubali Bank, told The Daily Star.

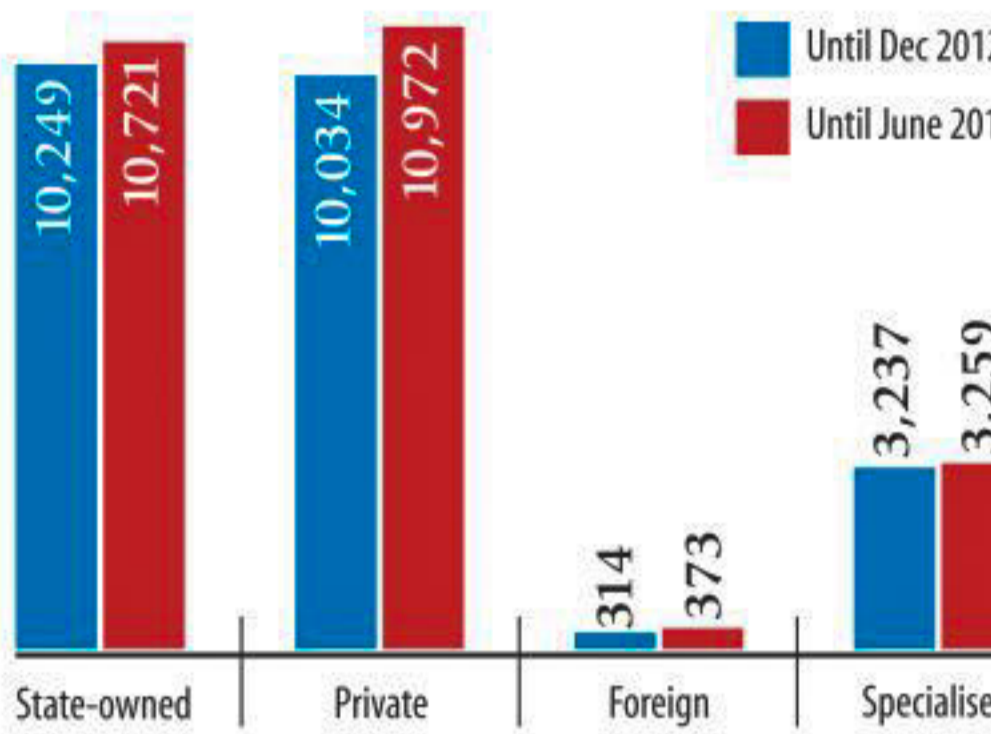
"Writing-off does not mean a waiver—a big portion of it is recovered later on."

Pubali Bank has so far removed Tk 633 crore from its balance sheet: around Tk 239 crore, however, was recovered, Chowdhury said.

"The process does not mean that depositors' money is at risk," said a high official of Janata Bank, which wrote off Tk 2,340 crore to date.

To even things out, banks take off a sum

BANKS' WRITTEN-OFF LOANS IN CRORES OF TAKA



equal to the amount being written off from their income as provisioning. "When the money is recovered, it goes straight to our incomes, which, in turn, can be used for provisioning or increasing the capital base."

Janata Bank has so far retrieved around Tk 699 crore, of which Tk 53 crore came in the first six months of the year.

"Although the bad loans get written-off, our efforts to recover them never stop," Pradip Kumar Dutta, managing director of Sonali Bank, told The Daily Star.

As of June 30, Sonali Bank has written off loans worth Tk 3,650 crore and recovered Tk 629 crore.

Around Tk 102 crore was realised last year and Tk 29 crore in the first six months of this year, Dutta said. "Our officials themselves managed to recover the amounts—we did not appoint any private agents."

National grid to get power from new Haripur plant tomorrow

STAR BUSINESS REPORT

A 412-megawatt gas-based power plant at Haripur in Narayanganj will become the country's single largest electricity producer when it starts supplying electricity to the national grid tomorrow, officials said yesterday.

The combined cycle power plant on the bank of the Shitalakkhya river will cost Tk 2,661 crore and will consume 65 million cubic feet of gas per day.

The plant is going into commercial production on schedule, Prime Minister's Energy Adviser Tawfiq-e-Elahi Chowdhury told reporters at Bidyut Bhaban.

The plant, which is being hailed as the most efficient power plant in the country to date with 56 percent thermal efficiency, will sell electricity to the Power Development Board at Tk 1.71 per kilowatt, said Mostafa Kamal, managing director of state-run Electricity Generation Company Bangladesh, the implementing agency.

He said the plant's thermal efficiency is double that of the usual gas-based power plants in the country.

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Trade unions vital for the safety accord to succeed

Scott Nova of Workers Rights Consortium says

MD FAZLUR RAHMAN

The accord for fire and safety signed by around 80 clothing retailers can only work if trade unions are given a prominent role in the proceedings, a global pro-worker activist said recently.

"Local unions can play a critical role. They can convey the workers' concerns about the dangers lurking in factories and ensure that the owners undertake the necessary repairs and renovations," Scott Nova, executive director of Worker Rights Consortium (WRC), said in an interview on August 18.

WRC, which has been vocal since the twin disasters of Tazreen fire and Rana Plaza collapse, is a US-based independent labour rights organisation that monitors the working conditions in factories globally.

Nova was in Dhaka to meet with a number of labour organisations to find ways for a quick and effective implementation of the five-year programme under the safety accord, which he states is different from the courses taken to date to inspect factories.

"It is a binding agreement on the part of the signatories and not a voluntary, corporate-run scheme," he said, adding that the accord covers more than 1,500 factories and the majority of the workers, believed to be upwards of three million.

As per the terms of the accord, signed mainly by European brands and retailers, the signatories will have



Scott Nova

to fund the renovations and repair works needed to make the country's factory buildings safe.

"Right now, Bangladesh has millions of workers going to work everyday in unsafe buildings. Many of the buildings are structurally unsound like the Rana Plaza. Most of them do not have proper fire exits and emergency lighting and proper alarm system."

Although "deadly hazards", they can be easily fixed. "But a lot of the factories do not have the means needed. Plus, they cannot afford to shut down temporarily while the repairs take place."

"But it is different scenario altogether if the factories have commit-

ments from their customers that would maintain business even if they have to shut down for a period and perhaps, pay for some of the repairs."

The WRC chief cited the low prices for producers for the country's below-par safety standards and rights of workers.

"Brands jump from factory to factory and from country to country, due to which there is a tremendous downward pressure on the prices. This has led the factories to completely ignore safety standards."

"Our message to the Western brands is to stop screwing the workers in Bangladesh. Pay decent prices, make long-term commitment and help improve the factories."

If they play their part, the government and the factory owners have no other choice but to fulfil theirs as well, he thinks.

Bangladesh is now at a point where it is not possible to continue with the low-wage strategy, according to Nova.

The impact of the wage hike would not be much as the labour cost is a "small percentage" of the overall production costs, he said.

He went on to cite the case in 2010, when the wages almost doubled but did not erode any of Bangladesh's competitiveness.

"Bangladesh could have better wages and safe work places and still remain competitive. But it requires commitment from the brands."

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Factory survey starts on Sept 15

2,000 garment buildings to be inspected in three months

REFAYET ULLAH MIRDHA

Thirty expert panels led by Bangladesh University of Engineering and Technology will start inspection of garment factories from September 15 to check structural flaws and ensure worker safety, a government official said yesterday.

The teams will inspect around 2,000 garment factory buildings in three months under a tripartite agreement between the government, trade unions and the International Labour Organisation, Labour and Employment Secretary Mikail Shipar said.

The inspection teams have already been formed with experts from other universities, the ILO, donor agencies, trade unions, Bangladesh Employers' Federation, Bangladesh Garment Manufacturers and Exporters Association, and Bangladesh Knitwear Manufacturers and Exporters Association.

The tripartite agreement was signed in two phases on February 20 and July 25 after two deadly factory accidents -- Tazreen Fashions fire on November 24 last year and Rana Plaza collapse on April 24.

"We will inspect the buildings, which were not included on the lists of IndustriALL and North American Alliance, to avoid repetition," Shipar said.

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REUTERS/FILE

Activists and the relatives of missing garment workers gather on August 2 in front of a sculpture made by members of labour organisations at the site of collapsed Rana Plaza in Savar. Scared by the biggest industrial disaster, Bangladesh will start a survey into garment factory buildings in September.

STOCK REFINANCE SCHEME

Deal signed to release Tk 300cr next week

STAR BUSINESS REPORT

The central bank, stockmarket regulator and state-run investment bank yesterday signed a tripartite memorandum of understanding on a Tk 900 crore refinance scheme for the investors who had lost money to a price debacle in 2011.

The central bank will release the first instalment, Tk 300 crore, of the fund next week after receiving a requisition for the money from Investment Corporation of Bangladesh, as per the MoU.

Bangladesh Bank's Executive Director SM Moniruzzaman, Bangladesh Securities and Exchange Commission's Executive Director Saifur Rahman and ICB Managing Director Md Fayekuzzaman signed the deal at the BB headquarters.

The fund was created at the instruction of the prime minister to assist the affected investors, Fayekuzzaman told reporters after the signing ceremony.

The affected retail investors, who had an investment up to Tk 10 lakh during January 2009 to November 2011, will get credit from the fund, he added.

After getting the fund at a 5 percent interest rate from the central bank, the ICB will lend it to merchant banks and stockbrokers at 7 percent.

The merchant banks and the stockbrokers will then disburse the fund to the retail investors at a 9 percent interest rate, according to the scheme guideline.

The borrowers will have to repay the loans every three months and should give corporate guarantee against the loans to the ICB, which will later deposit the received amount to the refinance fund.

The regulator will have the authority to cancel licences of the merchant banks and stockbrokers if they fail to repay the loans on time, the guideline said.

An inspection committee led by the BSEC and with representatives from the central bank and the stockmarket regulator will monitor the scheme operation and submit a report to the finance ministry every quarter.

The government in March 2012 had announced a compensation package that included an interest waiver on margin loans for the investors.

BB warns against property purchases abroad

STAR BUSINESS REPORT

Bangladesh Bank yesterday warned against property purchases abroad by violating restriction on foreign currency transfer.

The central bank issued a cautionary notice after advertisements were published in local newspapers offering apartments abroad.

Recently, Dubai-based Damac Properties offered luxury apartments, villa, condominiums and town houses in the UAE city for sales. The property firm had also planned an exhibition at The Westin Dhaka yesterday and today to showcase their projects to the prospective buyers in Bangladesh.

The firm, however, "cancelled/postponed" the show yesterday without citing any reason.

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BTRC moves to measure telcos' service quality

ABDULLAH MAMUN

The telecom regulator has for the first time started working to ensure mobile operators' quality of service to improve customer satisfaction.

Under the initiative, the regulator has already purchased equipment to examine the operators' service response time, call drops, signal-to-noise ratio, cross-talk, echo, interrupts, frequency response and loudness levels.

Not only that, the regulator has recently asked the operators to submit their coverage status on all the highways, railways and riverine areas within this month, to ensure uninterrupted service.

Sunil Kanti Bose, chairman of Bangladesh Telecommunication Regulatory Commission, said the service quality of the operators is falling of late, and they will have to explain the reasons.

The regulator also wanted to know why users are facing more call drops now, he said.

service of the operators is a major responsibility of the regulator, it could not do so due to huge workloads, Bose said.

None of the mobile operators is ensuring the quality of their service and call drop has become a regular phenomenon, according to the minutes of a commission meeting last month.

The regulator is still in a consultation with the operators to prepare the criteria on which their service quality will be measured, said an official of a mobile operator.

Another official of the BTRC said the regulator will provide the service quality indicators to the operators to examine their own service quality and submit those as a report to the regulator.

Later, the regulator will re-examine the reports and publish them. The commission may punish operators for faulty reports, the official said.

In 2009, the BTRC had set some benchmarks to measure the quality of service of fixed-phone operators and internet service providers and is now concentrating on the mobile operators.

Regulator lifts curbs on Appollo Ispat IPO

STAR BUSINESS REPORT

The stockmarket regulator yesterday withdrew a suspension order on IPO subscription of Appollo Ispat Complex.

The move cleared the way for the corrugated and galvanised sheet manufacturing company to start IPO subscription to raise Tk 220 crore through issuing 10 crore ordinary shares of Tk 10 each, in addition to Tk 22 as premium per share.

February, the regulator postponed the IPO (initial public offering) subscription following a letter from the finance minister to suspend the process.

The regulator had approved the IPO in December last year.

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সতর্কীকরণ বিজ্ঞপ্তি

সম্প্রতি লক্ষ্য করা যাচ্ছে যে, স্বনামধন্য বিভিন্ন পত্র পত্রিকায় সংযুক্ত আরব আমিরাত (দুবাই) সহ পৃথিবীর বিভিন্ন দেশে এ্যাপার্টমেন্ট ক্রয়ের জন্য আকর্ষণীয় বিজ্ঞাপন প্রচার করা হচ্ছে।

নিবাসী বাংলাদেশীদের বিদেশে স্থাবর সম্পত্তি ক্রয়ের জন্য বাংলাদেশ থেকে অর্থ প্রেরণের ওপর বৈদেশিক মুদ্রা নিয়ন্ত্রণ আইন, ১৯৪৭ এ বিধিনিষেধ আরোপিত রয়েছে। বিধিনিষেধ এড়িয়ে এজন্য অবৈধভাবে অর্থ প্রেরণে যোগসাজশকারীদের ভূমিকা আইনগতভাবে দণ্ডযোগ্য হবে। এ বিষয়ে সকলকে সচেতন হবার পরামর্শ দেয়া যাচ্ছে; গণমাধ্যমগুলোকেও এ ধরনের বিজ্ঞপ্তি প্রচারের বিষয়ে সতর্ক ও সংযত হবার পরামর্শ দেয়া যাচ্ছে।

বাংলাদেশ ব্যাংক