

Political chaos sends default loans soaring

REJAUL KARIM BYRON

Default loans shot up by 8.4 percent in the third quarter of the year owing to political turmoil.

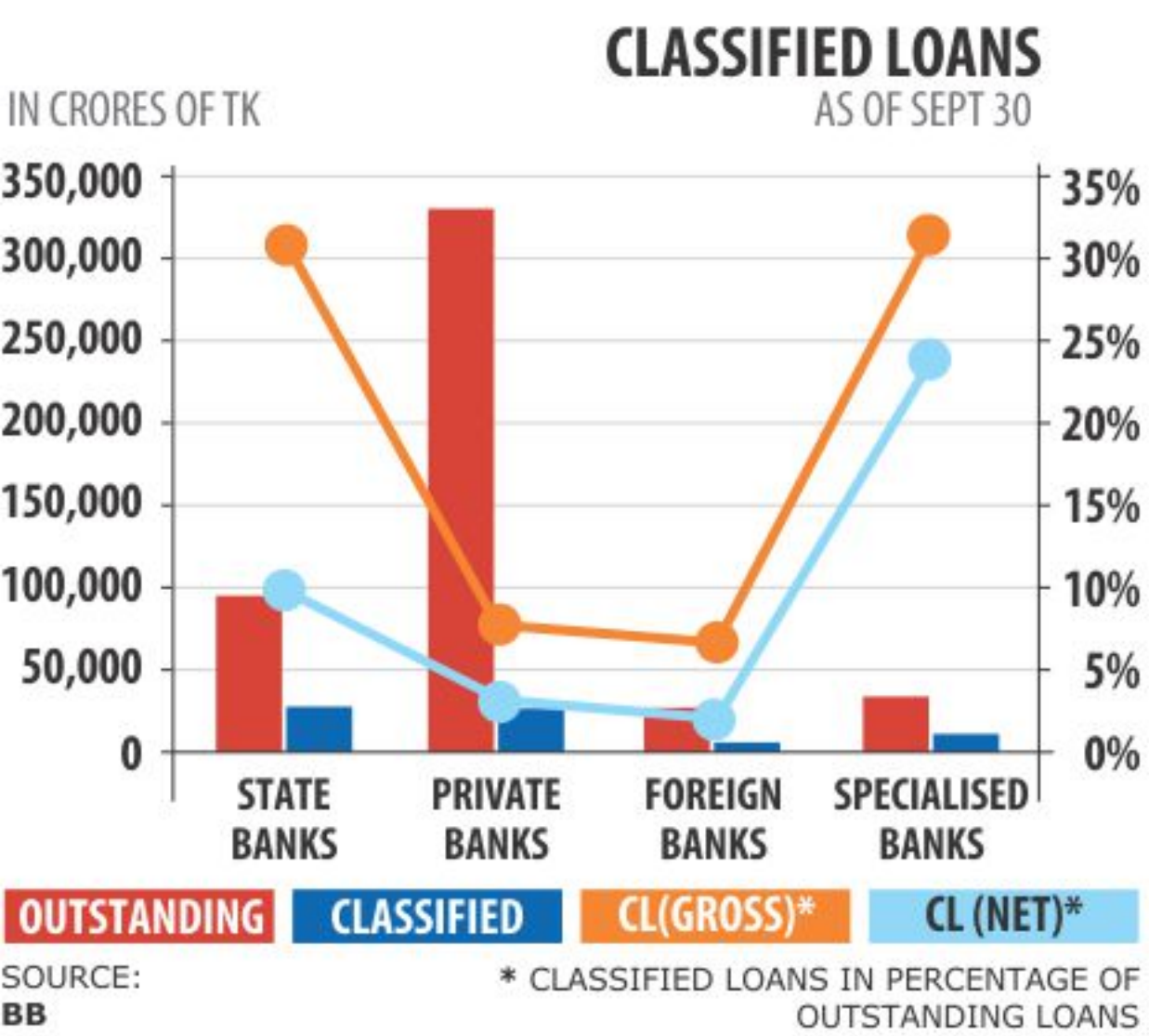
As of September 30, total default loans stood at Tk 56,720 crore, in contrast to Tk 52,309 crore recorded at the end of June 30, according to data from Bangladesh Bank.

"The majority of the default loans that we are seeing nowadays is because of the political disturbance," Zahid Hussain, lead economist of World Bank's local arm, said.

"Take, for instance, the case of restaurants. They cannot open during hartals, and even if they do, their customer turnout is very low. Naturally, they will not be able to pay off their loans."

However, Bangladesh Bank's new loan classification policy and previous irregularities also account for the bloated figures, Hussain said.

Helal Ahmed Chowdhury, managing director of Pubali Bank, acknowledged the impact of the new classification rules.



"There is no other option – we have to raise the industry's standards to international level at some point. In future, though, it will improve the sector's overall financial health."

Nevertheless, political uncertainty accounts for the heightened default loan situation, as "the majority of the classified loans are related to trade financing."

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Specialised bank like Grameen close to reality

Draft act to be placed at cabinet meeting Monday

REJAUL KARIM BYRON

The government's plan to set up a specialised bank for the rural poor along the lines of Grameen Bank is gathering momentum, as the finance ministry looks set to place the draft of the Palli Sanchay Bank Act at a cabinet meeting Monday.

The draft act, prepared by Rural Development and Cooperatives Division, was finalised yesterday at a meeting chaired by Finance Minister AMA Muhith and attended by Bangladesh Bank Governor Atiur Rahman, high officials of finance ministry's banking division and LGRD and co-operatives ministry.

"We are aiming to get the draft passed in the current session of the parliament," Muhith told reporters after the meeting.

It is true that Palli Sanchay Bank was inspired from Grameen Bank's experience. However, its main objective is to encourage rural people to save: Muhith

hold 51 percent of the bank's ownership and the remaining 49 percent would go to the 17,300 member cooperative societies of the "One House One Farm" project. However, the government will not take any dividends against its shares.

The draft law said the bank's paid-up capital would be Tk 600 crore, 80 percent of which will be provided by the government through its "One House, One Farm" project. But in yesterday's meeting, it was revised down to Tk 200 crore and an authorised capital of Tk 1,000 crore was proposed.

The cooperative societies' total fund of Tk 1,342 crore would be transferred to the new bank.

Palli Sanchay Bank will not be governed under the Banking Companies Act, meaning it would remain mostly out of bounds of the central bank. But like Grameen Bank, it would have to submit reports as per Bangladesh Bank's demands.

The new bank will emerge from the government's "One House, One Farm" project, just like Grameen Bank was born in 1983 following the conversion of Chittagong University's Yunus-led Grameen Bank project.

Asked if the bank was being set up with the intention of providing an alternative to Grameen Bank, Muhith said: "That's rubbish – but it is true that it [Palli Sanchay Bank] was inspired from Grameen Bank's experience. However, its main objective is to encourage rural people to save."

The government will



NASIR ALI MAMUN

Nobel Peace laureate Professor Muhammad Yunus speaks at the opening of Global Social Business Summit-2013 at Kuala Lumpur Convention Centre in Malaysia yesterday. Around 600 participants from 40 countries are attending the three-day event.

Change all, from individuals to countries

5th Social Business Summit kicks off in Kuala Lumpur

MD FAZLUR RAHMAN, from Kuala Lumpur

The fifth Global Social Business Summit began in Malaysia yesterday with a more focused goal of changing individuals, communities, villages, cities and countries to solve some of the most pressing social ills using the new economic theory.

Around 600 participants including development activists, politicians, policymakers, corporate leaders, business celebrities and academics from 40 countries are attending the three-day event themed 'Social business to change the world', at Kuala Lumpur Convention Centre.

From Bangladesh, where the idea was originated by Nobel Peace Prize Winner Prof Muhammad Yunus, 107 participants are taking part.

Speaking at the opening ceremony, Prof Yunus said social business offers a real chance

to the world to make a lasting impact.

He said the capitalist system came up with a lot of promises and the whole world rallied merrily around it. "It was thought that it would solve all problems. Instead, it created new problems. And there is no light at the end of the tunnel, and we are trapped."

The founder of Grameen Bank said business is a powerful machine that could be used in different directions to achieve multiple results, instead of driving it for a single goal of making money.

"Social business could be that multi-tasking machine. Making money could make one happy, but making others happy can bring in super-happiness."

One of the most celebrated thinkers and doers in the world of poverty alleviation, the microcredit pioneer described with much joy

how social business is conquering new frontiers, making inroads into traditionally conservative and powerful organisations.

"We received a very good response from African Development Bank and USAID, which will help us venture into the areas they operate."

Haiti is providing 10,000 hectares of land for forestation under a social business project, which has been a dream come true in social business, he added.

Later at a press briefing, Prof Yunus faced questions on the success of social business. "When we launched microcredit, people said that it would not work. When it worked, they said that it could only work in Bangladesh, not outside the country. When we launched microcredit in Malaysia and it worked, they again said that it would only work in Asia."

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AFP

Employees of Grameen Bank gather in front of their offices in Dhaka yesterday to protest a bill passed by parliament, which will tighten the government's grip on the bank.

GB employees call for scrapping new law

They plan to write to president

STAR BUSINESS REPORT

Employees of Grameen Bank will write to President Abdul Hamid urging him to scrap the newly passed Grameen Bank Act 2013, to save the microfinance institution from destruction.

"The amendment to the law will destroy the bank for the poor," said Shamsul Alam, president of Grameen Bank Employees Association.

The association's reaction comes two days after the new law was passed in parliament, replacing the Grameen Bank Ordinance of 1983, which had governed the microcredit bank for three decades.

"The new law goes against the interests of the poor borrowers and we are not clear about the govern-

ment's move to amend the law," Alam said. "The government should make it clear."

Alam spoke at a press conference at its headquarters in Mirpur to protest the changes to the law. The employees wore black badges during a demonstration.

"Some politicians cannot stand the honour and respect Prof Muhammad Yunus enjoys all over the world and so, they are always trying to destroy his organisation," he alleged.

Dulal Chandra Kar, acting managing director of Grameen Bank, said the government amended the law to influence it politically, which opens a door for its destruction.

The process of selecting the bank's directors will create political competition and give the government a chance to intervene in the running of

the bank, Kar said. "The new process of selecting directors goes against the interests of Grameen's 84 lakh members."

Two directors and one chairman nominated by the government will fail to serve the bank's shareholders' interests, said Alam, president of the employees' association.

The board can now take any decision by going against the members and shareholders of the bank, he said.

Financial irregularities, as seen in state banks, may strike Grameen Bank if it runs under government supervision, he added.

"It is not clear to us why the government is not giving importance to the opinions of its poor borrowers," said Sagirur Rashid Chowdhury, former president of the employees' association.

RMG factory checks start on trial basis

REFAYET ULLAH MIRDHA

Factory inspections under the Accord on Fire and Building Safety in Bangladesh, signed by at least 80 international retailers following the recent industrial disasters of Tazreen fire and Rana Plaza collapse, have started on a test basis.

"We have selected 10 factories in Mirpur and Tejgaon for trials," said Roy Ramesh Chandra, secretary general of the local arm of IndustriALL Global Union, one of the architects of the accord.

The experience gathered from the trial inspections would be incorporated into the checklist, to be used by the North American Alliance (NAA), a platform of 22 North American retailers, and labour and employment ministry as well for their factory checks.

Labour and Employment Secretary Mikail Shipar said government officials together with representatives of ILO, IndustriALL, NAA, Buet, BGMEA and BKMEA are currently locked in a two-day meeting in Dhaka to fix the checklist.

As per the accord, nearly 1,600 garment factories across the country will be inspected, the names of which have already been published last month. NAA and the labour and employment ministry would check on another 500 and 2,000 respectively. Full-fledged inspections will take off once the checklist has been designed.

30m houses to get clean cookstoves by 2030

Action plan launched

STAR BUSINESS REPORT

The government has set a target to distribute clean cookstoves among five million households by 2017 and 30 million by 2030 to save people from health hazardous smokes and protect the environment.

"Bangladesh is one of the lowest emitters of carbon dioxide as the country emits around 0.25 tonnes of the gas per capita a year while it stands at around 20 tonnes for the US," Power Secretary Monowar Islam said.

"But we are now focusing on improved cookstoves as it will prevent our mothers and sisters from breathing in dangerous smoke during cooking."

He spoke at the launch of an action plan for clean cookstoves. The Power Division and Washington-based Global Alliance for Clean Cookstoves (GACC) coorganised the programme at Bidyut Bhaban in the capital yesterday.

GACC, Netherlands Development Organisation and German Development Cooperation are working closely with the government to achieve the goals along with other development partners.

More than 90 percent of the population use solid fuels for cooking, and the rapidly expanding population and heavy reliance on biomass have put immense pressure on Bangladesh's limited forest resources, according to the action plan.

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