

Increased loan recovery, relaxed rules cut defaults

REJAUL KARIM BYRON

Default loans dropped 28.45 percent last quarter on the back of increased cash recovery, loan write-offs and liberal rescheduling rules in the wake of political unrest that hurt business.

As of December 31 last year, the banking sector's total classified loans stood at Tk 40,583 crore, down from Tk 56,720 crore on September 30, 2013, according to central bank statistics. Of the 56 banks, 40 managed to cut down their default loans.

Bangladesh Bank in December last year instructed banks to relax loan rescheduling rules for businesses affected by political instability, which the banks took full advantage of to bring down their classified loan portfolios, SM Aminur Rahman, managing director of Janata Bank, told The Daily Star.

If the central bank had not given the opportunity, the banks would have to file cases against their borrowers to realise the loans, said a high official of a private bank.

"Realising loans by lodging cases against defaulters is difficult. On the other hand, it would have been injustice to the borrowers," he added.

Helal Ahmed Chowdhury, managing director of Pubali Bank, echoed the same.

The bank rescheduled loans of those who defaulted for genuine reasons, in exchange for 3-5 percent down-payment, compared with 10 percent earlier.

"Our intention is to keep the businesses afloat. But habitual defaulters got no mercy from us," said Chowdhury, also the vice-chairman of Association of Bankers, Bangladesh.

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11 lenders' credit growth negative

SAJJADUR RAHMAN

Eleven banks' lending registered negative growth, reflecting depressed demand for money, according to Bangladesh Bank data.

Of these banks, three are state-owned, four are private and four are foreign commercial banks, data released on January 16 showed.

Bankers, however, said demand for money started rising slowly, riding on hopes for political calm.

"Credit demand is slowly increasing, but it will take time to pick up," said Anis A Khan, managing director of Mutual Trust Bank.

As of January 16, 56 banks operating in the country had deposits worth Tk 620,270 crore, of which, banks lent out Tk 460,882 crore or 71.55 percent.

Overall deposit in the banking sector grew 16.46 percent in the 12 months to January this year, and credit grew 7.73 percent in the same period.

Four state banks—Sonali, Agrani, Janata and Rupali—that witnessed deposit growth of 18.48 percent year-on-year, faced an aggregate of 4.44 percent negative credit growth.

Sonali Bank's credit growth went down 7.56 percent, which was 6.16 percent and 6.75 percent for Agrani and Janata. Rupali Bank was able to post nearly 21 percent growth in its lending rate during the period.

Among the local private commercial

banks, Brac Bank, ICB Islamic, Prime and Shahjalal Islami Banks registered negative growth in lending in January this year compared to the same time a year ago. Three of the banks (except Prime Bank) faced negative growth in deposits.

Of the foreign banks, Citibank, HSBC, State Bank of India and Bank of Ceylon also posted negative credit growth.

Lower credit growth by the banks meant that a majority of the scheduled banks are sitting on excess funds worth around Tk 90,000 crore.

"Some of our big loans for projects like power plants, were closed in recent months," said Syed Mahbubur Rahman, managing director of Brac Bank, explaining why his bank's credit growth went down.

Brac Bank's credit growth fell 3.65 percent as of January 16, compared to the same period a year ago.

Rahman said Brac Bank that focuses on small and medium enterprise was affected by political unrest in 2013.

"Businesses were apprehensive last year. The situation has improved and we hope demand for credit will pick-up now."

Helal Ahmed Chowdhury, managing director of Pubali Bank, said businesses were in grave uncertainty in the second half of last year and many clients were not taking their sanctioned loans.

"Some of those clients are coming back to the banks for money now."

Tanners pledge to start relocation by March

25 firms to be the first to build factories in Savar

STAR BUSINESS REPORT

Tannery owners are set to start relocating hazardous factories from Hazaribagh in Dhaka to Savar by the end of March.

"At least 25 companies will be the first to begin constructing factories in Savar," said M Abu Taher, chairman of Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association.

Tanners have decided to start the relocation taking the environmental issues into consideration and hoping to boost exports, he told The Daily Star by phone yesterday.

Taher made the commitment after a meeting with the industries and environment ministers at the industries ministry.

In the meeting, Industries Minister Amir Hossain Amu directed Chinese joint venture company—JLEPCL-DCL—to resume construction of the central effluent treatment plant in a week, as CETP is a key element for tannery relocation.

"We will take punitive action against the constructor of CETP, if it delays work," said Amu.

Currently, the Chinese company that got the work in March 2012 has stopped constructing the CETP due to a lack of drawing plan and scarcity of fund.

As per the contract, JLEPCL-DCL had been scheduled to install the plant within 15 months at a cost of Tk 477.46 crore at the under-construction Savar Leather Industrial Park. But the company missed the deadline.

The government has already appointed the Bureau of Research, Testing and Consultation of Bangladesh University of Engineering and Technology as a consultant to oversee the construction of the tannery industrial park, said Taher of the association.

"Pollution of tanneries has almost

BY THE NUMBERS

Project cost:
Tk **1,079** cr

Factory owners to spend
Tk **7,500** cr
on relocation

BSCIC approved
35 layout plans out
of **82** submitted

Relocation expected to
be complete by 2016

The industry earned \$980.67 million last fiscal year by exporting leather, leather products and footwear, up from \$765.03 million in 2011-12

made the Dhaka City unlivable," said Anwar Hossain, environment minister.

Bangladesh faces a deadline to cut tanneries' toxic pollution by the year-end, to be able to continue leather or leather goods exports to European countries, according to Hossain.

A total of 82 tannery owners have so far submitted factory layout plans to Bangladesh Small and Cottage Industries Corporation, the implementing agency. And BSCIC has so far approved 35 plans, according to industries ministry.

Taher also urged the government

to provide long-term loans with less than 5 percent interest to expedite the relocation.

Tanners will have to invest around Tk 7,500 crore to relocate the factories, establish new plants and begin commercial production, he said.

"We need soft loans to relocate the tanneries as leather is a capital-intensive industry," Taher said, adding that many will have to fold their businesses if the government does not arrange the financing.

BSCIC has already developed the leather estate with spacious roads and adequate fire-fighting capacities and equipment.

The industries ministry has already allocated more than 205 plots on 200 acres to 155 tannery owners through BSCIC, a wing of the ministry.

The project, which took off in 2003 at an approximate cost of Tk 175.75 crore, came to a standstill over a decision on who would bear the lion's share of the cost and get the contract for a common effluent treatment plant.

Initially, it was planned that the 155 tanneries would finance 60 percent of the cost and the government the rest.

However, it was decided that the government would bear 80 percent of the core project cost of Tk 829 crore, as per the second revised proposal passed by the Executive Committee of National Economic Council in August last year.

The total project cost since the launch has shot up to Tk 1,079 crore, including the Tk 250 crore that will be paid in compensation by the government to the tanneries.

The government now intends to complete the relocation by 2016. The industry earned \$980.67 million last fiscal year by exporting leather, leather products and footwear, up from \$765.03 million in 2011-12, according to the Export Promotion Bureau.

Mobile Congress kicks off in Barcelona

ABDULLAH MAMUN, from Barcelona, Spain

The Mobile World Congress began yesterday in Barcelona, Spain, with a view to bring together the services of the telecommunication sector.

The event, a collaboration among operators, handset providers, system providers and different service providers, will be the key factor for development in the coming days, which the industry people should put their efforts together for, said Jon Fredrik Baksaas, chairman of GSMA, in the opening session of this year's GSMA Mobile Congress 2014.

"Billions of people are using the internet and the number is increasing exponentially. At this point, we need to join hands to create an eco-system to harmonise the service and communication sector," said Baksaas, who is also the president of Telenor, the majority shareholder of Bangladesh's leading mobile operator Grameenphone.

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Thumbs-up to factory inspection standards

STAR BUSINESS REPORT

Over 35 percent of factories, retailers, consultants, trade unions and rights groups in a survey have given thumbs up to the international standard for factory inspection and called for implementation right away.

On the other hand, only 11 percent termed the standards, set to be implemented by companies from North America and Europe and the government in over 3,500 factories, too stringent. Over 42 percent said the inspection standards are

good but would be hard to implement.

A total of 467 participants took part in the survey conducted by the Alliance for Bangladesh Worker Safety, a platform of 26 North American retailers at the two-day exposition on building and fire safety at Sonargaon Hotel in the city.

Mesbah Rabin, managing director of the Alliance in Bangladesh, presented the results at a press briefing yesterday.

Among the respondents, 64 percent are factory representatives, 18.1 percent brands, 4.7 percent consultancies and 2.8 percent NGOs and trade unions.

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