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Star BUSINESS

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Bad loans rise as banks misuse relaxed rules

REJAUL KARIM BYRON

Default loans in banks rose 1.52 percentage points or Tk 7,589 crore in the first quarter this year, compared to the quarter that ended in December last year.

The amount went up as the central bank classified loans of the banks that misused a relaxed policy introduced for borrowers affected by political turmoil last year.

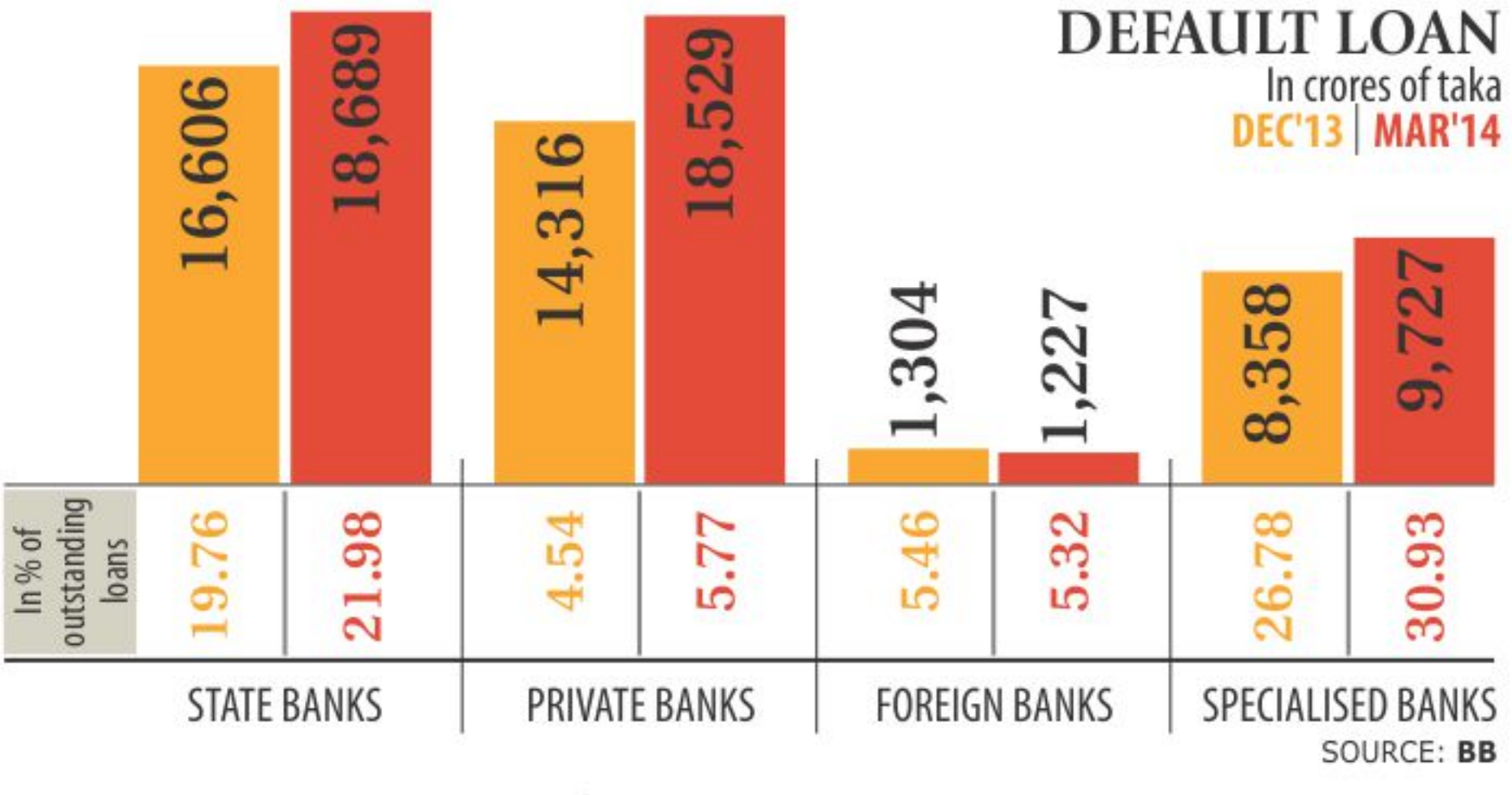
On March 31, the total amount of default loans in banks was Tk 48,172 crore or 10.45 percent of the total outstanding loans, according to Bangladesh Bank statistics. On December 31 last year, the amount was Tk 40,583 crore or 8.93 percent of the total outstanding loans.

In December, the central bank relaxed rules for rescheduling and restructuring loans as businesses were affected by political unrest.

But many banks did not reschedule their loans complying with rules and so the BB classified those loans again, bank officials said.

Under the relaxed policy that expires in June, businesses were allowed to reschedule loans by fixing their down payment and time limit for repayment, and restructure loans by setting up a rational repayment period.

Banks took much of the benefit of the relaxed rules in December and were able to bring down their default loans by more than



Tk 16,000 crore in the last quarter of 2013. From December last year to March this year, the banks regularised Tk 14,765 crore, according to the central bank. Many banks showed their bad loans as good ones so that their balance sheets look better and more profits can be given to the owners of the banks. Later BB inspections detected these irregularities and the loans were classified again. Helal Ahmed Chowdhury, managing director of Pubali Bank, said some banks might have misused the central bank rules in rescheduling their loans which has pushed up the amount of default loans. Another reason behind the rise in bad loans is that the banks did not monitor their loan portfolios properly after December, and did not take serious steps to realise loans, he said. Chowdhury, however, said the default loans situation will improve by June as political and investment environment is sound now. Khandker Ibrahim Khaled, a former deputy governor of the central bank, said the banks that showed their bad loans as good ones will lose in the long run as their default loans will rise leading to a fall in their profit.

MoU signed to lease internet bandwidth to India

STAR BUSINESS REPORT

Bangladesh Submarine Cable Company Ltd yesterday signed a memorandum of understanding with BSNL, the state-owned telecom company of India, to lease internet bandwidth to the neighbour.

Monwar Hossain, managing director of Bangladesh Submarine Cable, said BSNL will initially lease 10 Gbps (Gigabits per second) of bandwidth from Bangladesh and take another 30 Gbps within eight months.

The prices will be set when a final agreement will be signed between the two parties within a week. The contract of the lease will be for three years and could be extended later, Hossain said.

Bangladesh Telecommunications Company Ltd will lay around 40 kilometres of optical fibre cables to transmit the bandwidth through Akhaura border. The link will be developed in three months with an estimated cost of Tk 20 crore.

Turkish Airlines looks to become the carrier for West-bound Bangladeshis

SOHEL PARVEZ, back from Istanbul

Turkish Airlines, one of the fastest growing carriers, aims to become the airline of choice for Bangladeshi travellers to Europe and North America, its chief executive officer said.

The carrier plans to boost its flight frequency from Dhaka: it hopes to operate two flights a week from the present seven daily flights, said Temel Kotil, CEO of Turkish Airlines.

"We will increase flights and go twice daily if the authority allows. The future of Bangladesh, Indonesia, Malaysia, India and Pakistan is great," he told The Daily Star in an interview last week at the airline's headquarters in Istanbul.

The reason for the Turkish flag carrier's increased focus on Bangladesh is the country's economic growth prospects.

"Bangladesh has a nice future. Its economy will grow in the next 20-30 years and will create higher demand for increased air travel. Bangladeshi migrants living abroad will also keep the demand up."

The airline already has an upper hand in attracting Europe- and North America-bound passengers by way of the geographical location of its hub Istanbul, which sits right between Asia and Europe.

"The geographic position is very important—it is very easy to go anywhere from here."



Temel Kotil

No allocation for new roads in next budget: Muhith

STAR BUSINESS REPORT

The government may not allocate funds for building new roads in the upcoming budget as the country has already one of the highest concentrations of roads in the world, Finance Minister AMA Muhith said yesterday.

"There is no need for new roads as the country has enough roads per capita. But it is true, we need more quality roads, so we will have to allocate more funds for road maintenance," Muhith said at a press briefing following a meeting with secretaries from all ministries at the National Economic Council.

Muhith plans to free up the roster of non-functional offices and employ them in offices where there is serious work pressure.

"There are many government offices which are heavily over-worked. At the same time, there are offices where there is not so much work. We should find some ways to

use the idle excess capacity, instead of creating new capacity."

The issue of public-private partnership was discussed at the meeting.

"The system is not working. Responsibility has already been given to one to reform the system in order to make it more practical. We will act according to the recommendations."

All ministries will be instructed to issue tender for at least 10 percent of their procurement budget, Muhith said. "The defects of the e-tendering were raised -- we have to address them."

Muhith went on to term the current planning process of the budget as impractical.

"The pro-forma we follow is absolutely archaic—we have to change them."

He also said he asked the ministries to follow the example of the ICT ministry and make the floors more open, where all officials will work in the same room.

Focus on services sector to generate jobs: ADB

STAR BUSINESS REPORT

The Asian Development Bank has asked the government to focus more on the services sector in bids to create additional jobs.

"Due to its labour-intensive nature, a large and growing services sector can generate millions of jobs for the country's huge workforce, and thus promote more inclusive growth," the Manila-based bank said in its latest quarterly economic update.

Employment elasticity—which measures how employment varies with economic output—is the highest at 0.85 in the services sector followed by 0.78 in manufacturing and 0.5 in agriculture, it said.

The service sector, which accounts for 53.9 percent of value addition and 35.4 percent of total employment, is expected to play an even bigger role in the coming years.

With rapid expansion of the middle class, a natural by-product is a growing demand for education, health care, communication and financial services.

Service sector growth is expected to rise to 5.7

percent in fiscal 2014-15 mainly due to an expected rebound in industry and agriculture output, according to the study.

Transformation of the service sector requires skills and human capital development, and extensive connectivity within and outside the country.

Moreover, service sector growth in fiscal 2013-14 is expected to slip to 5.4 percent due to a loss in output for pre-election unrest and slow industry growth, according to the economic update.

Lower credit growth for trade; sluggish demand in retail and wholesale trade, hotels and restaurants, transport, and tourism; and a fall in commercial banks' operating profits are evidence of slower service sector growth, it said.

The ADB also stressed the need to tap the potential synergies in modern services.

Extensive synergies between services and industries mean that service sector development can lift productivity throughout the economy.

Those synergies are all the more evident in modern, high value-added service industries such as finance, information and communication technology, and professional business

services, it added.

In light of growing tradability of services, partly a consequence of technological progress, upgrading the service industries will augment Bangladesh's gains from international trade in services, according to the review.

Economic growth is expected to slow to 5.6 percent in fiscal 2013-14, with remittances declining and export growth tapering during the remainder of the year because of fewer orders, ADB said.

GDP growth is expected to rebound to 6.2 percent in fiscal 2014-15, aided by higher remittance and export growth, as growth prospects in the US improve and the eurozone posts mild recovery.

The likely rise in consumer and investor confidence as the political situation stabilises is expected to stimulate demand and strengthen the growth momentum, according to the review.

Agriculture growth is expected to rise to 3 percent in fiscal 2013-14, aided by favourable weather conditions and a low base from the previous year. Disruptions to the distribution network during the pre-election political unrest

Indian firm to set up 225MW Sikalbaha power plant

STAR BUSINESS REPORT

The government has awarded the job of setting up 225 megawatt Sikalbaha power plant to Indian firm Larsen & Toubro Ltd.

The cabinet committee on purchase yesterday approved awarding the Tk 1,708-crore job to the firm as it was the lowest among the six bidders.

Four development partners, including Kuwait, Saudi Arabia and Abu Dhabi Fund, will provide \$187.33 million for the project which is scheduled to be completed by June 2016.

Wata Chemicals starts trading on DSE tomorrow

STAR BUSINESS REPORT

Wata Chemicals will start trading on the main market of Dhaka Stock Exchange tomorrow after remaining on the OTC market for four and a half years.

The DSE in 2009 transferred the company to the OTC (over-the-counter) market, a separate trading floor for trading of junk shares.

The OTC market is meant for those companies that are not in operation or failed to hold AGMs or declare dividends or did not convert their paper shares into electronic ones.

The open-adjusted price of the company's share will be Tk 49.5 each against the face value of Tk 10 each, the DSE said in a web posting yesterday.

The circuit breaker and circuit filter will remain operative from the first trading day, meaning share prices of the company cannot go up or down beyond the permissible limit.

The company listed on the stockmarket in 1992 will also be placed

in the premier bourse's A-category.

Earlier at a meeting on Thursday, the DSE board gave nod to Wata Chemicals for re-listing on the main market, as the company became regularised in holding annual general meetings (AGMs) and paying dividends to its shareholders.

However, Wata Chemicals has been holding AGMs regularly and paying dividends to the shareholders a year after it was delisted from the main market.

The company disbursed 20 percent stock dividends in 2012, 12 percent cash dividends in 2011 and 10 percent cash dividends in 2010.

The majority of the paper shares, 88.97 percent, have also been converted into e-shares. The company's net profit rose about 64 percent year-on-year to Tk 2 crore in 2012.

On the main market, each share of Wata Chemicals last traded at Tk 270 against the face value of Tk 100, before the DSE suspended the trading of the company in 2009.



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