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CSCX ▲ 0.68% 9,250.99

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Oil ▼ \$54.22 (per barrel)

MUMBAI ▼ 1.00% 25,979.60

TOKYO ▼ 0.09% 19,427.67

SINGAPORE ▼ 0.68% 2,882.04

SHANGHAI ▲ 0.09% 3,140.15

USD 78.25 80.60 95.59 0.65

EUR 79.25 84.00 98.99 0.68



BUSINESS

DHAKA FRIDAY DECEMBER 23, 2016, POUSH 9, 1423 BS

Bank directors are good borrowers

SAJJADUR RAHMAN

Banks' directors seem to be good borrowers as their loan repayment records are far better than the other groups of borrowers.

As of September 30, directors of the 56 scheduled banks took loans worth Tk 88,790 crore from each other's banks, according to data from Bangladesh Bank.

The sum is almost a seventh of the total loans of Tk 635,987 crore disbursed by all banks.

Yet, their defaults were only 1.9 percent, which is way less than the industry average of 10.34 percent. Even the non-performing loans of the private banks are more than double the bank directors'.

"Bangladesh Bank's stringent rules have forced bank directors to repay their loans regularly," said a senior official of the central bank.

If a director defaults, his or her directorship in the bank will be cancelled as per the Banking Companies Act, said the official explaining the magic behind the bank directors' good loan repayment records.

For instance, last year, two directors of two private banks were removed from the boards for defaulting on their loans.

There are about 700 directors in 57 banks, including the newly launched Simanta Bank that is owned by the Border Guard of Bangladesh.

Of them, 100 are in the eight state-owned banks. There are no local directors on the boards of nine foreign banks operating here.

Of the remaining 39 private banks, two -- Trust Bank and Simanta Bank -- are owned by the Army Welfare Trust and BGB

respectively, so their boards are composed of armed forces for the most part.

The board of directors of Islami Bank Bangladesh consists of foreigners and local professionals who are not necessarily businessmen.

So the loans taken by directors who are mostly businessmen would be from 36 banks.

But not all directors of 36 banks were big borrowers, according to the BB.

"Most of these loans are concentrated to 100 to 150 bank directors," said another official of the BB.

For example, Salman F Rahman's Beximco Group has loans worth over Tk 7,156 crore with different banks. Rahman is a director and currently the chairman of IFIC Bank.

Similarly, Sikder Group, which has a good stake in National Bank, has loans of about Tk 2,000 crore with different banks.

Both companies took advantage of the large loan restructuring facility offered by the BB last year.

S Alam Group, which has stakes in at least four banks, has several thousand crores of loans with a dozen banks.

A director cannot take out loans worth more than 50 percent of his/her stake in the bank, according to the law. So they take loans from other banks through mutual understanding.

As of September this year, Islami Bank Bangladesh disbursed loans to directors of other banks worth over Tk 7,434 crore -- the highest by any bank.

National Bank and EXIM gave loans worth over Tk 5,039 crore and Tk 4,569 crore respectively to directors of other banks.



Potential customers visit a five-day real estate fair that started at Bangabandhu International Conference Centre in Dhaka on Wednesday.

Real estate fair pulls in crowds

STAR BUSINESS REPORT

A huge number of visitors flocked to a real estate fair in Dhaka yesterday, reflecting their renewed interest in the housing sector that faced a slowdown in recent years.

On the first day on Wednesday, hundreds of potential buyers visited stalls at the REHAB Fair 2016 at Bangabandhu International Conference Centre.

The Real Estate and Housing Association of Bangladesh organised the five-day winter fair where companies are showcasing their products and projects in 175 stalls. All the developers are receiving good responses, the association said in a statement.

The visitors, who were mostly from the lower-middle and middle income groups, were scoping out offers for small apartments, according to the association.

The realtors are offering discounts and gifts to attract buyers. Financial institutions that have lending operations in the housing sector are also taking part in the fair, presenting additional benefits for the visitors.

Participants said the potential buyers have taken project brochures and they hope they will contact them in future to make a purchase.

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STAR

330MW power plant to be built in Khulna

STAR BUSINESS REPORT

The government will set up a new power plant in Khulna, which will mostly be financed by China, to generate 330MW of power in an effort to supply more electricity to the people of the southern parts of the country.

The decision was made at the weekly meeting of the Executive Committee of the National Economic Council, held at the NEC conference room yesterday with Prime Minister Sheikh Hasina in the chair.

The dual-fuel combined-cycle power plant will be set up on the bank of Bhairab river at Khalishpur in Khulna, and will be completed by 2019 at a cost of Tk 3,254 crore.

Of the amount, China will finance Tk 2,014 crore in the project, while the remaining Tk 1,240 crore will come from the state coffer.

On the project site, several state-owned power plants were set up in 1954 on 62 acres of land. Save for two units, all of them are now defunct.

Along with the new power plant, Ecnec yesterday approved a total of 15 projects with an overall outlay of Tk 26,411 crore.

Among other projects, two were for the development of primary education, involving a total of Tk 14,865 crore.

The projects will be financed by the government and are expected to be complete by 2022.

There are around 81,000 government and non-government primary schools in Bangladesh, where some 1.95 crore students are studying, according to the planning ministry.

The primary schools were able to improve their infrastructure by 30 percent recently with financing from development partners.



Second submarine cable delayed for inland link

MUHAMMAD ZAHIDUL ISLAM

The installation of the second submarine cable has already been complete, but Bangladesh needs to wait for at least two months to get connected to the cable, as its inland link from the landing station to the capital is not yet ready.

Bangladesh Submarine Cable Company Ltd (BSCCL) was one of the founding members of the undersea cable -- South East Asia-Middle East-Western Europe 5 (SEA-ME-WE 5).

A 19-member consortium of 16 nations built the cable across Southeast Asia, the Middle East, Africa and Europe through sea.

The construction of the 20,000-kilometre seafloor cable system was officially completed on December 13. Some member companies like Transworld Associates Private Ltd of Pakistan started getting services from the cable at least three months back as the installation of their portion was completed earlier.

As Bangladesh Telecommunications Company Ltd (BTCL), a state-owned company, failed to establish its connectivity link from the landing station in Kuakata to Barisal, it will take some time to get bandwidth from the submarine cable, said Monwar Hossain, managing director of BSCCL.

"We can provide services from February."

Hossain said they wrote to BTCL at least 12 times in the last two years to pursue completion of the link, but the matter did not receive attention.

Earlier, BTCL awarded a contract to a company by violating rules for establishing the cable links and that is why the tender procedure was cancelled, insiders said.

Now, another state-owned company -- Bangladesh Cable Shilpa Ltd -- is doing the job, said officials of BTCL.

Bangladesh signed the submarine cable agreement with the international consortium in March 2014.

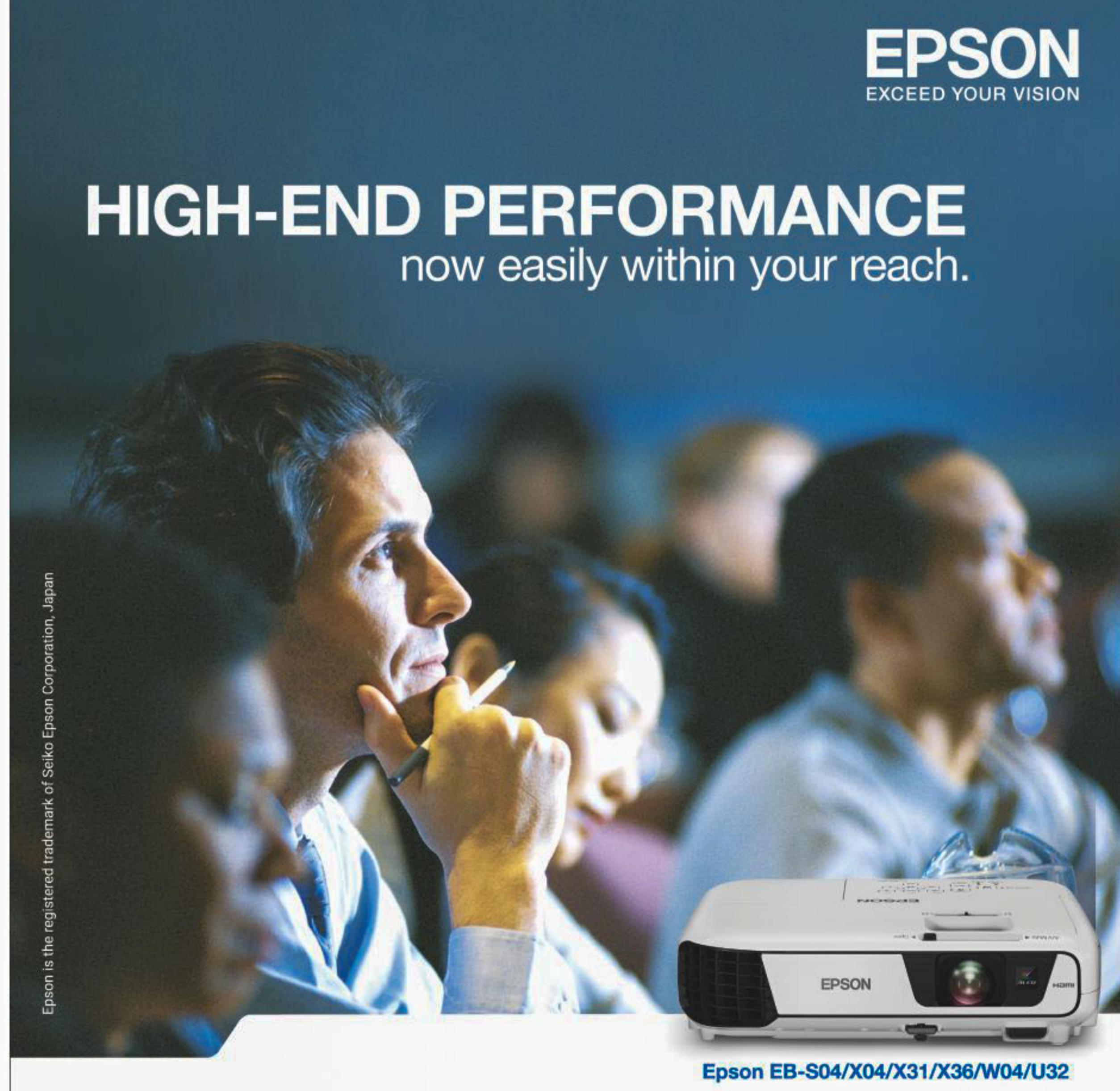
The country will get an additional 1,400 gigabits per second of bandwidth from the new cable.

BSCCL has 300 Gbps bandwidth now; the new cable will empower the company to reduce the wholesale bandwidth price and create an opportunity to export as well, said Hossain.

Initially, the longevity of the cable has been fixed at 20 years, which may be increased to 25 years by optimum maintenance.

The project cost Bangladesh Tk 660.64 crore; BSCCL took a loan of \$44 million from the Islamic Development Bank. Repayment in instalments will begin in October 2017. "If we had been connected earlier, it would have helped us in repayment," Hossain added.

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Mercantile Bank opens 10 new branches at a time

STAR BUSINESS REPORT

Mercantile Bank yesterday opened 10 new branches in different parts of the country.

Finance Minister AMA Muhith opened the branches through a video conference at the Westin Dhaka hotel. The minister congratulated Mercantile Bank for opening the branches, the bank said in a statement.

"This pioneering initiative from the technological aspect is a significant step towards achieving the Digital Bangladesh goal of the nation," he said.

The government will reform the merger and bankruptcy laws within the next two years, Muhith said.

"We have to reform our laws in areas where the laws are not time-befitting. For example, our laws on merger and bankruptcy are not up-to-date," he said.

The minister said he is hopeful about the banking sector.

"There are many banks in Bangladesh. Some changes in the sector will take place gradually. There is no need to make a hue and cry about it. We also should not force it [merger]. We only have to ensure that our laws are alright."

Bangladesh Bank Governor Fazle Kabir attended the event as special guest.

Mercantile Bank Chairman Shahidul Ahsan and Managing Director Kazi Masihur Rahman also spoke.

The branches are situated in Asad Gate in the capital, Lalmonirhat, Natore, Sadar, Sadarghat in Chittagong, Shimail in Narayanganj, Goshairhat in Sariatpur, Kankirhat in Noakhali, Mandari Bazar in Laksimpur, Gorai in Tangail and Ashulia in Dhaka.

The bank now has 119 branches.



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