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Star BUSINESS

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State banks' rescheduled loans turn bad again

REJIAUL KARIM BYRON and JEBUN NESA ALO

State banks' large loans that were rescheduled nearly two years ago to support the borrowers have turned bad again.

Bangladesh Bank data shows default loans increased by Tk 10,801 crore last year to take the total figure to Tk 62,172 crore as of December 31, 2016. Of the new default loans, eight state banks alone accounted for 74 percent or Tk 7,997 crore.

The banks are -- Sonali, Janata, Agrani, Rupali, BASIC, Bangladesh Development Bank, Krishi Bank, and Rajshahi Krishi Unnayan Bank.

"A big portion of the loans that were regularised under the large loan rescheduling scheme has turned defaulted again," said Zaid Bakht, chairman of state-owned Agrani Bank, one of the largest banks in the country in terms of the number of branches.

This is a major reason behind the rise in bad loans, he said.

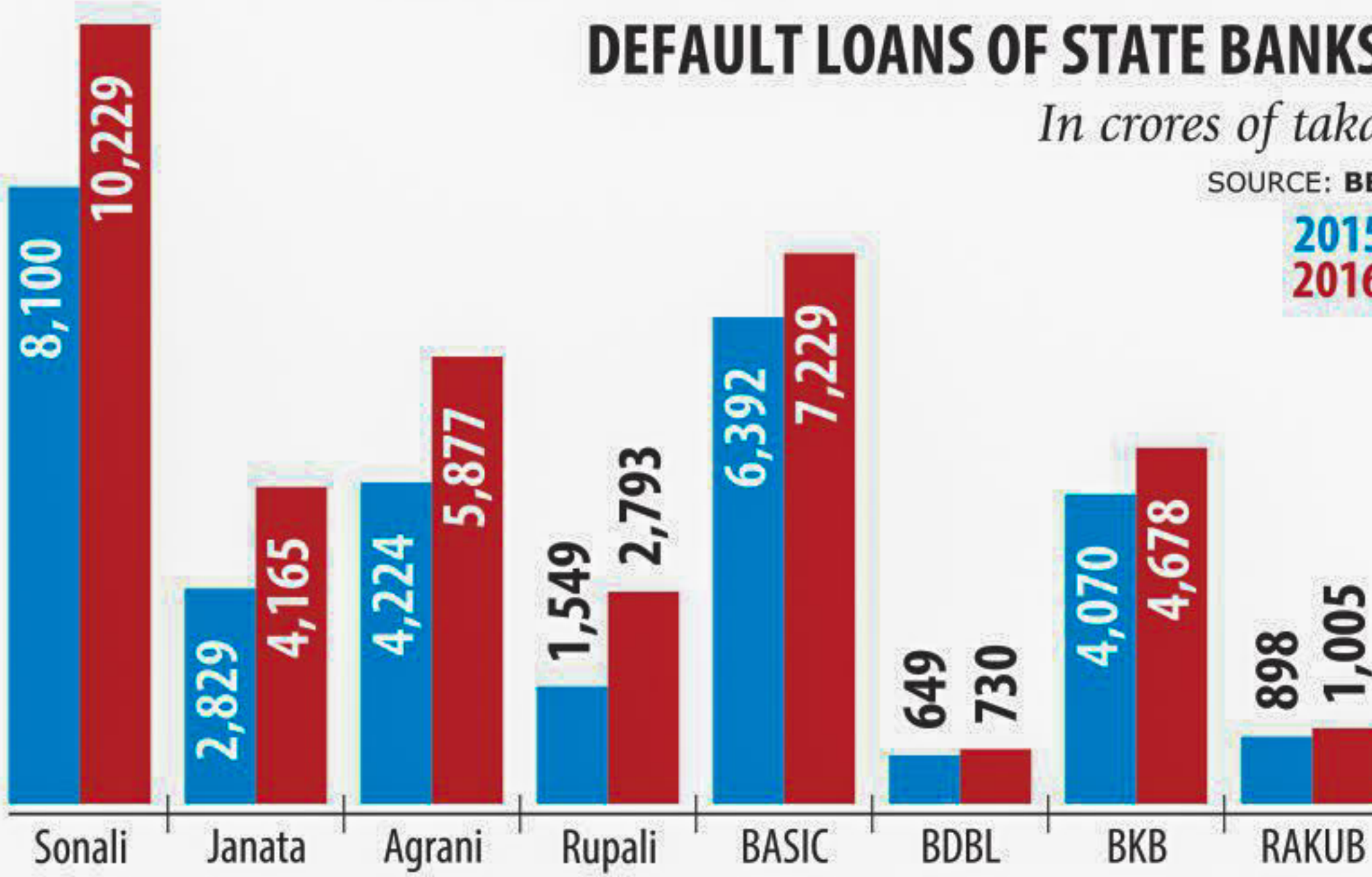
Of the total default loan figure of Tk 62,172 crore, the eight state banks accounted for 59 percent or Tk 36,709 crore, BB data shows.

Salehuddin Ahmed, former central bank governor, said the wholesale rescheduling of loans in the pretext of political instability was not right; it should have been given according to merit.

"A borrower may get his loans rescheduled once, twice or thrice, but he cannot take the benefit again and again."

In 2015, banks rescheduled Tk 26,308 crore in bad loans, which was 50.1 percent higher than that in 2014, according to central bank statistics.

Under pressure from influential businessmen last year, the central bank also offered a special restructuring opportunity for loans upwards of



Tk 500 crore. Under the facility, loans worth Tk 16,410 crore were restructured.

On average, banks rescheduled Tk 10,909 crore a year between 2010 and 2014, according to a study by Bangladesh Institute of Bank Management (BIBM).

BIBM prepared the report -- Implication of Loan Rescheduling and Write-off on the Performance of Banks -- last year after analysing data from 2010 to 2014 and recording the statements of bankers.

Bakht said, "Cases should now be filed against those who took large loans as they cannot be spared anymore."

The loans cannot be recovered without put-

ting pressure by filing cases against them, he added. However, the medium scale borrowers may be given some time by rescheduling their loans so that they can repay, Bakht said.

Ahmed said, in such cases in other countries, the defaulting borrowers are jailed, with a provision to seize their property. In Bangladesh, nothing such happens, he added.

The default loans are the highest in the public sector banks, said the former governor. No real action is visible against those who are responsible for the default loans, he added.

The default loans in the state banks are increasing due to a lack of sincerity and seriousness of the government, said Ahmed.

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Islami Bank breaks rules in approving loans, BB finds

JEBUN NESA ALO

The newly-formed board of Islami Bank Bangladesh has approved loans to clients without following proper rules, according to the central bank.

In some instances, the board has not paid heed to objections raised by the Bangladesh Bank observer to the bank.

BB will enquire about the wrongdoings, if any, said sources at the central bank.

Most of the loans under question were approved from the bank's Chittagong region, according to BB findings.

The board approved loans worth Tk 16.75 crore to two clients -- JN Flour Mills and its associate organisation. The approval came at an executive meeting of the bank on February 16.

The loan was disbursed from the bank's Bahaddarhat branch in Chittagong but the factory of the client is located at Laksam in Comilla. Moreover, the loan was acquired from the Khatunganj branch of Al-Arafah Islami Bank.

BB will investigate at what condition the client has agreed to transfer the loan from Khatunganj to Bahaddarhat and whether the acquisition was lawful and the money would not be diverted to unspecified sectors, according to the BB sources.

The BB observer found the board has granted grace periods to clients without following due process. In some cases, the grace period was extended even without rescheduling of loans.

In another incident, the Islami Bank board has approved loan for HBC Bricks, a

client of its Companiganj branch in Comilla, without knowing the creditworthiness of the borrower.

The client has no environment clearance certificate too. The board approved the loan despite objection from the BB observer.

The Khatunganj branch of Islami Bank also acquired all non-funded liabilities of Nur Brothers Trading from the branch of Exim Bank.

The board also gave nod to a loan proposal from Islami Bank's Khatunganj branch to lend Tk 132.60 crore to Inifit CR Strips Industries. The company is a new client for the branch and the loan was given to build a steel sheet manufacturing plant. The loan proposal did not include information about the client's banking activities.

According to BB, the board approved such a large amount of loan quickly to a completely new client without carrying out any field visit to the project site.

But Islami Bank denies any wrongdoing. "We don't favour a particular client while approving loans," said Abdul Matin, chairman of the executive committee of the bank.

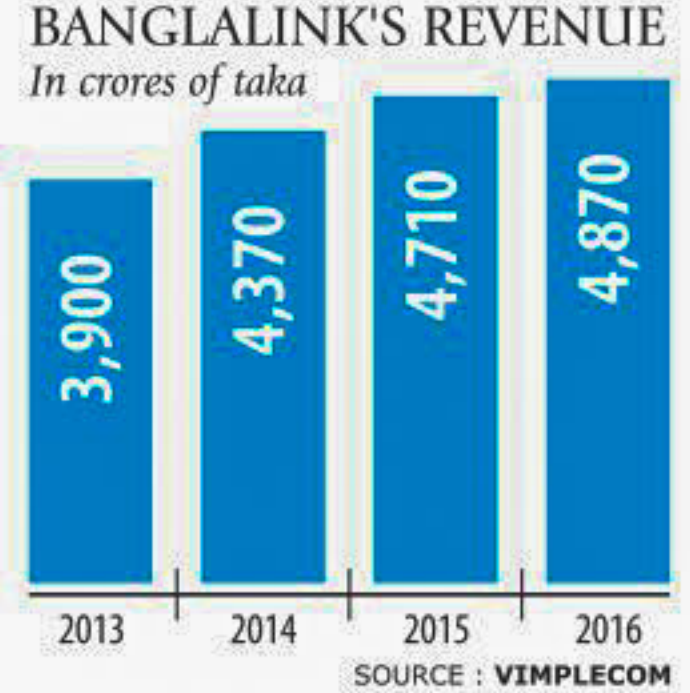
If clients fulfill all requirements they get loans, he said.

"Moreover, there is an observer from Bangladesh Bank who attends all of the meetings. We try to follow his guideline or take his objection into account before approving any loan proposal," he said.

The new board at the country's biggest Shariah-based bank took the charge in early January following a major reshuffle in key positions, including chairman and managing director.

Banglalink's revenue goes up 3.4pc

STAR BUSINESS REPORT



Banglalink's gross revenue rose 3.4 percent year-on-year to Tk 4,870 crore in 2016, driven mainly by growth in data revenue, its parent company VimpeCom said in its annual report last week.

However, the Amsterdam-based company mentioned nothing on Banglalink's profitability in its report. Banglalink earlier had said it would become profitable in 2016.

Erik Aas, chief executive of Banglalink, expressed satisfaction over the financial results.

"Banglalink fared well in earning revenue in 2016 and we would continue bringing value to all our stakeholders, as we transform our company from a traditional telco into a world-class tech company," Aas told The Daily Star in a response to a query.

On profitability, he said they are expecting better results in 2017. Banglalink, now the country's third largest operator after the merger of Robi and Airtel last year, saw a decline in the number of active SIMs, but recorded healthy growth in data use.

As of December, Banglalink's customer base stood at 3.04 crore, down 5.9 percent year-on-year after the completion of the biometric verification process; the operator lost 38 lakh connections at that time, according to the report.

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Hasina urges UK to lift cargo ban

BSS, Dhaka

Prime Minister Sheikh Hasina yesterday urged the British government to withdraw the temporary embargo on cargo flight operations from Dhaka to the UK.

In March last year, the British government imposed the ban on security grounds.

The premier made the call when visiting British Minister for Asia and Pacific Alok Sharma met with her at Gono Bhaban in Dhaka.

"Security lapses are global phenomenon... such lapses were detected in Heathrow Airport as well," Prime Minister's Press Secretary Ihsanul Karim quoted her as saying.

Hasina also described how the embargo caused a setback for Bangladeshi businesses and its business community in Britain, Karim said.

They discussed several issues relating to mutual interests, including cooperation in airport security and infrastructure development, he said.

Sharma said experts of the two countries would sit together to find ways to resume the cargo operations.

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Poultry operators eye global market

STAR BUSINESS REPORT

Bangladeshi entrepreneurs are taking preparations to start exporting chicken-based food products from 2020, operators said yesterday.

"We have started our preparations to export processed poultry products. We have immense opportunities to cater for the global halal market," said Shamsul Arefin Khaled, president of the World's Poultry Science Association-Bangladesh Branch (WPSA-BB), at the closing ceremony of the 10th International Poultry Show & Seminar in Dhaka.

The global halal market is estimated at \$2.3 trillion with 67 percent of the market, or \$1.4 trillion, consisting of food and beverages, according to the Organisation of Islamic Cooperation.

Operators said nearly Tk 30,000 crore has been invested in the poultry industry so far, with an increasing number of poultry giants entering the market to sell poultry-based food items.

Currently, more than half a dozen firms, including some poultry giants, sell chicken-based ready-to-cook food products in the domestic market.

Khaled said operators would be able to export products worth \$4-5 million a year initially, according to a press release.

"But we have to cut our production cost to enter the competitive market and government's support is needed," he said.

He urged the government to



KEY POINTS

- Global halal market is estimated at **\$2.3tr**
- Operators aim to export products of **\$4-5m** a year initially
- Nearly Tk **30,000cr** has been invested in the poultry industry in Bangladesh
- More than half a dozen firms sell chicken-based food products
- Bangladesh has about **150,000** poultry farms

withdraw 5 percent advance income tax on import of different essential raw materials used in poultry feed manufacturing.

Khaled also demanded withdrawal of 10 percent customs duty on soybean import as well as a waiver of VAT and tax on medicine and vaccine import in the upcoming budget.

Besides, poultry industry operators called upon the government to ease the process of import of vaccines. They also stressed ensuring

bio-security.

Moshiur Rahman, convener of the poultry show, said global warming is also affecting the poultry industry. "We have to work on this," he said.

The exposition began on March 2 to promote the use of scientific knowledge and modern technology in poultry farming. The event received a positive response from poultry farmers and entrepreneurs.

"We saw some new technol-

ogies in the show, which will be very effective and helpful for the Bangladeshi poultry industry," said Md Shirajul Haque, general secretary of the WPSA-BB.

With nearly 150,000 farms in Bangladesh, the expansion of the poultry industry has created millions of jobs. The sector is now the supplier of protein at low cost, thanks to the efforts of the entrepreneurs and the government's support, including tax benefits.

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BTRC to scrap 33 ISP licences

STAR BUSINESS REPORT

The telecom regulator has decided to scrap licences of 33 internet service providers after they failed to pay renewal fees in time.

Of them, 13 are national ISPs and the rest are zonal. Their licences were issued between June 2008 and March 2011.

The Bangladesh Telecommunication Regulatory Commission (BTRC) issued a notice last week to this effect. It also requested organisations not to do business with the ISPs under question.

The BTRC also directed the ISPs to clear all of their dues to the regulator otherwise they will face legal action, according to the notice.

The telecom watchdog cancelled licences of 204 ISPs last August. In 2015, it scrapped 63 licences after they failed to pay renewal fees.

There are 499 ISPs in Bangladesh, according to the BTRC website.

The regulator has taken an initiative to amend the guidelines for the ISPs. The government has stopped awarding new licences for ISPs.

RAHIMAFROOZ

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