

Repeated loan defaults pose risks to banks

Standard Bank CEO tells The Daily Star

JEBUN NESA ALO

THE inability of some large borrowers to pay their instalments regularly despite taking a restructuring facility is posing a threat to the banking sector, a top banker said.

These large corporate firms could not recover their businesses, Mamun-Ur-Rashid, managing director and chief executive of Standard Bank, said in an interview with The Daily Star.

"Some clients approached us for further loan rescheduling and we forwarded them to Bangladesh Bank. But the central bank was very strict in this regard and declined to do so."

The failure of large corporate clients to pay off loans even after taking policy advantage is not a good sign for the banking sector, he said.

Some 11 large business groups restructured loans of Tk 15,000 crore, taking advantage of the relaxed policy in 2015. But within a year, three of them returned to restructure their loans again.

Rashid said the banking sector realised benefits from the relaxed rescheduling policy offered by the central bank, as many non performing loans were regularised later.

Bangladesh Bank's move also helped in reducing the industry average in default loans to a tolerable level at 10 percent, he added.

The banking sector has regularised a total of Tk 113,775 crore from July 2013 to December 2015, according to central bank data. Of the total amount, banks rescheduled Tk 82,392 crore and restructured Tk 31,383 crore.

Of the rescheduled amount, loans of Tk 30,000 crore were regularised by taking advantage of the relaxed policy, and Tk 52,244 crore in compliance with the rescheduling policy.

Bangladesh Bank observed that the recovery of rescheduled loans under the



Mamun-Ur-Rashid

relaxed policy was unsatisfactory.

He said banks are now focusing on the medium enterprises, as this segment is flourishing fast compared to the small and large enterprises.

Standard Bank is targeting the medium entrepreneurs, mainly in agriculture, as the sector has potential and is growing in Bangladesh.

Previously, the agriculture sector was considered special, and banks were incentivised to disburse loans here. But, the scenario has changed as many big companies, including Pran and ACL, are now running their business in Bangladesh.

Many other corporate groups are diverting their businesses into agriculture as well, he said.

"We have targeted the agriculture sector to disburse loans as the default culture is

weak and loans are given at a low cost of 10 percent here. Moreover, it is an employment generating sector. Women are more engaged here as they can manage both their businesses and their homes."

Standard Bank gives priority to women entrepreneurs, providing loans of up to Tk 25 lakh without collateral, Rashid said.

He said the banking sector is not likely to see a further fall in the lending rate, as the banks are already suffering a fund crisis.

Depositors are taking away their money to other sectors as banks now offer a low rate of interest, he added.

However, the rate is high for banks as they lend at 9-10 percent and pay depositors at 6-7 percent.

Banks are taking steps for cost cutting and increasing other businesses to main-

tain their incomes, following the instruction of Bangladesh Bank, he said.

The weighted average lending rate was 9.85 percent in January, while the deposit rate was 5.13 percent, according to Bangladesh Bank data.

Standard Bank lends at 10.14 percent against 5.76 percent for deposits as of January, central bank data shows.

The government banks are mainly responsible for the high default loan rate in the sector; it is below 5 percent for most private banks, which is acceptable by central bank standards.

Banks' default loans dropped to 9.23 percent at the end of December last year from 10.34 percent in September same year.

Total default loans stood at about Tk 62,000 crore against outstanding loans of Tk 673,000 crore.

Standard Bank has launched aggressive drives to recover loans and reduce the default loan rate, the chief executive said.

The default loan rate of Standard Bank surged to 3.71 percent at the end of December last year, compared to 3.23 percent in the same period of previous year, according to central bank data.

As of December, total default loan of the bank stood at Tk 378.35 crore, against outstanding loans of Tk 10,208 crore.

He said Standard Bank is growing steadily; it included around 54,000 new customers since October last year when Rashid joined the bank.

The bank has also taken measures to ensure cyber security, like installation of anti-skimming devices at all ATM booths.

He also emphasised the importance of clients' awareness in combating cyber fraud.

The bank is also expanding its agent banking to extend financial services to the remotest parts of the country.

The bank has nine agents and it will add 50 more by this year, he said.

Emirates offers laptop, tablet handling service for US flights

STAR BUSINESS DESK

The UAE-based airline Emirates has introduced complimentary laptop and tablet handling service to enable US-bound passengers to use their electronic devices after check-in and until boarding.

The service aims to beat Washington's ban on carrying such electronic devices in cabin baggage on flights to the US.

"This will enable passengers to use their laptops and tablet devices until just before they board their flights to the US," said the airline in a statement.

The controversial ban on carry-on laptops and tablets on flights from the Middle East to the United States and Britain went into effect yesterday.

Travellers must pack these electronic devices in their checked-in baggage.

Emirates said its new service would enable passengers travelling to the US via Dubai to use their laptops and tablet devices on the first part of their journeys, and also during transit in Dubai.

"They must then declare and hand over their laptops, tablets, and other banned electronic devices to security staff at the gate just before boarding their US-bound flight," it said.

The airline said Emirates staff would pack the devices into boxes, load into the aircraft hold, and return to the passengers at their US destination.

Tim Clark, president of Emirates Airline, said: "Our aim is to ensure compliance with the new rules, while minimising disruption to passenger flow and impact on customer experience."

"Our new complimentary service enables passengers, particularly those flying for business, to have the flexibility to use their devices until the last possible moment."

Once on board, passengers can still stay connected on their mobile phones, said the airline.

The new security directive, issued by the US Transportation Security Administration, however, does not apply to passengers travelling on Emirates' US-bound flights via Milan and Athens, or Emirates flights to and from any other destination, said the carrier.

Weary flyers shrug as Middle East laptop ban takes off



Travellers from several countries will now have to put large electronic items in hold baggage on direct flights to the US and Britain.

AFP, Dubai

A controversial ban on carry-on laptops and tablets on flights from the Middle East to the United States and Britain went into effect Saturday -- with less fanfare and frustration than expected.

From Dubai to Doha, passengers on dozens of flights checked in their electronic devices, many shrugging off the measure as yet another inconvenience of global travel.

"It's a rule. I follow the rules," said Rakan Mohammed, a Qatari national who flies from Doha to the US two to three times a year.

"The bigger problem for my family is the no smoking. On a long flight, they become restless after three hours."

At Dubai International, one of the world's busiest hubs, flag carrier Emirates dispatched staff to guide passengers through one of the most intense travel weekends of the year.

Around 1.1 million people are expected to pass through as the city marks UAE spring break, Dubai Airports said.

An estimated 260,000 travellers were expected each day from Friday

through Monday. Dubai International Airport expects 89 million passengers this year.

Staff in red suits could be seen at the airport Saturday carrying signs explaining the electronics ban, ready to appease travellers with games and activities for children.

Government-owned Emirates, which operates 18 direct flights to the US daily, also began a service to enable passengers to use their electronic devices after check-in and until boarding. Samuel Porter, who was travelling out of Dubai with his family, nonetheless decided to "avoid delays" at the airport by putting his laptop in the hold.

"The only issue is the kids. I have two kids and the iPad is always in their hands. Maybe they will watch a documentary and learn something useful this time", he told AFP.

The United States this week announced a ban on all electronics larger than a standard smartphone on board direct flights out of eight countries across the Middle East. US officials would not specify how long the ban will last, but Emirates told AFP that it had been instructed to enforce the measures until at least

October 14.


The ban covers electronics sold at Dubai Duty Free, Dubai Airports CEO Paul Griffiths told local radio earlier this week. Adding to the disruption on Saturday, a number of flights out of Dubai and Abu Dhabi airports were delayed due to thunderstorms, including an Emirates flight to Houston.

Travellers using 10 airports across the Middle East and North Africa are subject to the ban.

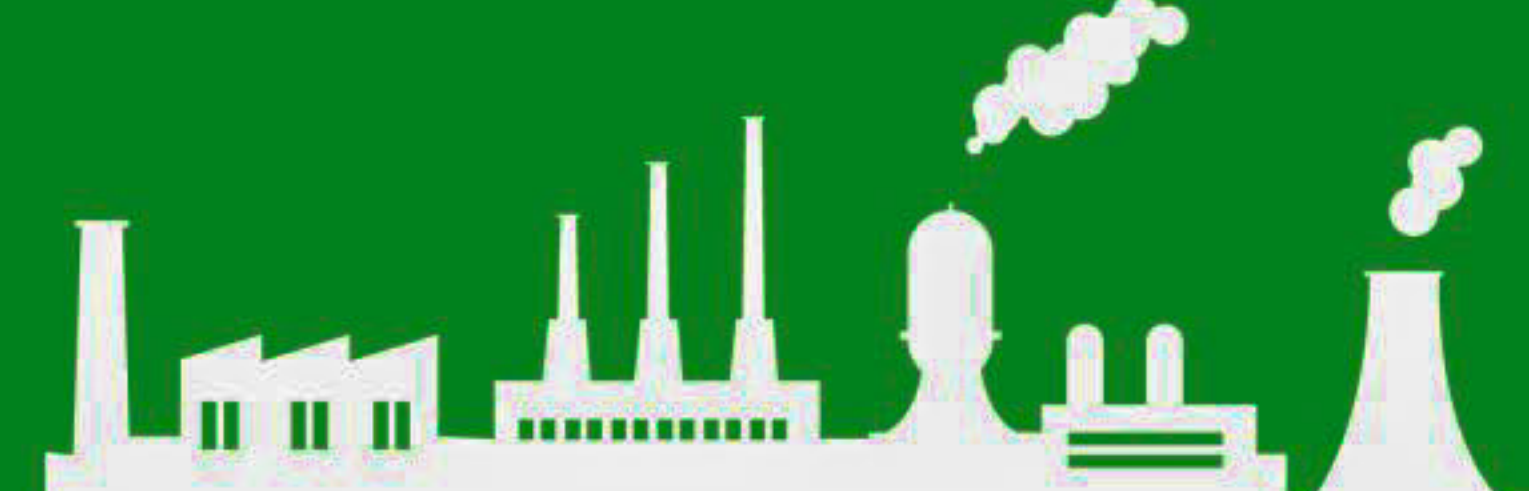
Britain has also announced a parallel electronics ban, effective Saturday, targeting all flights out of Egypt, Turkey, Jordan, Saudi Arabia, Tunisia and Lebanon.

Royal Jordanian, which operates direct flights to London, New York, Detroit and Chicago, poked fun at the ban with a number of social media posts suggesting alternative in-flight activities, including doing "what we Jordanians do best... stare at each other!"

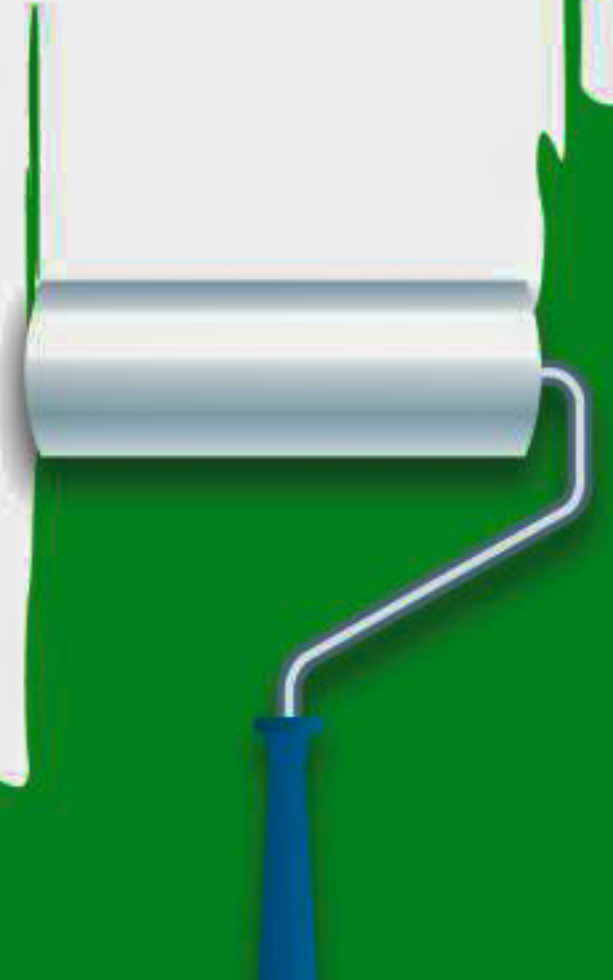
The bans have come under criticism for targeting majority-Muslim countries. The US ban in particular has raised eyebrows for covering airports from which US airlines do not operate direct flights.






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