

State-owned finance provider plans big with low-cost housing

KHONDOKER MD SHOYEB

LOW-COST housing would be the next big thing for the real estate sector. Bangladesh House Building Finance Corporation (BHBFC) would give priority to home loan applicants who opt for low-cost technology.

One such technology makes use of hollow bricks of uniform shape and size instead of the conventional ones. The bricks require a very low amount of plaster, which helps cut construction costs to a great extent.

Debasish Chakrabarty, managing director of the state-owned housing finance provider, shared the concept and the organisation's future plans with The Daily Star recently.

It takes 21 to 28 days to complete a roof in the conventional method while only 5 days if the hollow bricks are used, he said.

"We are promoting the low-cost housing technology, which has the ability to save houses from fire, flood and earthquake."

India uses the technology there. Kenya and Tanzania are also using the method that is called "Koto" in Malaysia, he said.

"We have also discussed the benefits of using the technology with the leaders of the Real Estate and Housing Association of Bangladesh. In future, we want to form a subsidiary and develop the product on our own."

The housing finance organisation was launched in 1952. The corporation has so far given loans for constructing 2 lakh housing units. The BHBFC made a profit of Tk 166 crore in the last fiscal year. "We paid 42.5 percent of the amount or Tk 86 crore as tax in advance to the government. It has never counted any loss since its inception."

The organisation received Tk 110 crore as capital from the government by 1992 and afterwards it met its needs by selling government guaranteed debentures worth Tk 1,864 crore to different banks.

The current balance of debentures stands at Tk 365 crore.

In addition to this, the organisation received Tk 350 crore from the government as loan at a rate of 3 percent and hopes to get another Tk 150 crore by this year. BHBFC is

the only state organisation that gets funds from the government as loans.

The BHBFC will get another loan of Tk 865 crore from the Islamic Development Bank. The amount will come on condition that it has to be distributed in areas outside of Dhaka, Chittagong and Sylhet metropolitan areas in the next two years, he said.

"The IDB loan will be a huge boost to the organisation. So I have taken several steps and re-arranged the loan products."

The BHBFC has launched Nagar Bandhu, a loan product for the people living in Dhaka and Chittagong. Palli Maa is another product that will cover the rest of the country, he said.

The home-loan provider has 29 branches now and plans to open 71 more soon, he said.

The organisation had been enjoying monopoly in giving loans since its inception before the launch of Delta Brac Housing in 1996 and National Housing Corporation in 1999, he said.

"The market share we have is not satisfactory at all." Specialised housing finance firms like BHBFC have 12 percent market share, according to Bangladesh Bank.

Private banks have 55 percent market share while state banks have 21 percent, foreign banks 4 percent and non-banks 8 percent.

In rural areas, private banks have a very low market share and BHBFC is the leader there. "Almost 63 percent of our loans were distributed in rural areas in the last fiscal year. The amount will increase when we will start distributing IDB loans."

"We have already lowered our rates. The interest rate for building construction is now 9.5 percent, for flats it is 10 percent and 8.5 percent for rural areas outside of the Dhaka metropolitan area."

"Our ceiling was as low as Tk 50 lakh. We have increased the ceiling to Tk 1 crore for building construction and for flat to Tk 80 lakh. My competitors such as private banks have a ceiling of Tk 1.2 crore." One loan product of BHBFC that has created a stir is for expatriates called Probash Bandhu.

"Bangladeshi expatriates with three years' work experience can now visit our website, fill



Debasish Chakrabarty

up the form and apply online for the loan." "We have earlier allowed expatriates only of five countries. But due to its huge demand, we have withdrawn the bar. Now people from any country can apply for it."

The Probash Bandhu has left a very good impact on the housing loan sector. Private banks have also started offering loans to expatriates. "We wanted to do something like that and wanted others to follow us."

The nominated local representatives of the expatriates can contact the corporation and complete the procedure to receive the loan.

The expatriates will be given the opportunity to clear the loan in 25 years, the highest among all products of BHBFC, he said.

The organisation lags behind its competitors in the field of technology and automation. "The quality of service of BHBFC is still lower than that of private banks. We are working on it."

"We are planning to launch an e-filing system. All information of the loan applications will be available in the e-filing system, which will definitely decrease corruption in BHBFC."

People will be able to know the condition of their application and place their complaints online, he said.

"The implementation of the system needs huge investment as we will need to set up computers on each desk. But we do not have the right to purchase a computer by ourselves. We need to take permission of the ministry to do such purchases also."

The corporation does not have any data centre. "We will soon float tender to establish a centralised data-based centre."

"The organisation does not do its banking related work such as collections of loans by itself, whereas in India and Malaysia organisations like us do these things by themselves."

"Our customers have to stand in long lines in state-owned banks and face harassment to clear their monthly payments of housing loans. To ease the pressure, we have already signed a deal with Standard Chartered Bank."

"The monthly payments of the clients will be sent online to our accounts directly from the customers' accounts under the direct debit

system. The whole system will not cost anything for the customers, banks and BHBFC."

"We also cannot recruit directly. We have to apply for new manpower. We can only give requisitions. We have only 455 people whereas we should have 795."

The organisation will organise a three-day housing and finance fair on October 19 at the Sonargaon hotel in Dhaka. Different private banks and real estate companies are scheduled to take part in the fair.

The BHBFC's outstanding loan is decreasing and it reached Tk 3,000 crore while the default loan rate now stands at 6 percent, he said.

"To increase the outstanding loan amount, we have to increase the loan disbursement target. We have achieved last year's loan sanction target of Tk 350 crore."

"We have sanctioned Tk 353 crore last year. Whereas our loan disbursement target was Tk 272 crore and we disbursed Tk 278 crore."

Now it targets to disburse Tk 400 crore in the next fiscal year and increase the amount to Tk 700 crore to lower the cost of funds, which now stands at around 8 percent, he said.

"We have upgraded the condition of the office of BHBFC, as we believe that the office environment determines the service quality."

"The organisation wants to showcase the latest available technologies of the sector through the October housing fair and through its head office." "We have urged the businesses to turn one of the floors of BHBFC into 3D floors so that visitors feel encouraged to use it in their houses."

The corporation also reorganised its loan product for farmers. "There was no such loan for the farmers in Bangladesh. We are forming the structure of the loan. The low-cost housing will be used here."

Anyone with farm land can also apply for the loan. People can also take loans to build guest houses in their village homes, he said.

"We share all these information on our Facebook page. People can place their queries there and we respond to them through the social media platform as soon as possible."

shoyeb513@gmail.com

Strong euro worries Europe's exporters

AFP, Paris

SOME European exporters are beginning to worry about the strengthening euro which has rebounded from near parity with the dollar after Donald Trump's election, though analysts see little immediate risk to growth.

Europe's single currency surged on Wednesday to \$1.1910, its highest level since early January 2015, before retreating to \$1.1770 late Friday. For European businesses heavily reliant on exports, especially in Italy and France, the strong euro could hurt the bottom line.

"There's a general nervousness that this strong euro is beginning to impact European corporate profits - we are starting to see it in this quarter's results," William Hamlyn, investment analyst at Manulife Asset Management, told AFP.

Still many analysts say economic fundamentals are in favour of the euro, compared to the weak dollar and the feeble pound which has been hammered ever since Britain voted last year to exit the European Union.

And the impact of a strong euro is different depending on the country. Germany, Europe's biggest economy, has nothing to fear for the moment, said Berenberg Bank economist Holger Schmieding, noting the euro is still far from its long term equilibrium rate of \$1.25.

Only about a quarter of German exports are pegged to the dollar, said Ilja Nothnagel, International expert at the German chambers of commerce DIHK. Italy would be the country "most affected by the increase in value of the euro," said Ludovic Subran, chief economist at trade credit-insurer Euler Hermes.

"If the dollar/euro rate should remain stable at this level, we will be at a disadvantage," admitted Licia Mattioli, vice-president for international affairs at the Italian employers' organisation Confindustria.

"The effect would be crosswise on our exports, which have grown the past few years towards America. We



REUTERS/FILE

Swiss franc and euro banknotes lie on a table in a Swiss bank in Bern.

are exporters to the United States in a number of sectors: fashion, accessories, jewels, food, automobiles, machinery..." she said.

However, Lucia Tajoli, professor of economic policy at Polytechnic in Milan, notes the euro is not "super strong" and thinks Italian exports due their growth in recent years can take some pressure.

"They could suffer a little but there shouldn't be extremely heavy impacts," she told AFP.

For France, the rise of the euro is going to be "felt strongly in some sectors such as aeronautics," said Subran, adding that big enterprises involved in major exports have shown in the past they know how to adapt to a rising euro.

For the moment, the strong euro is not bothering Spain as two thirds of its exports are to EU countries. However, growth in exports outside the bloc -- which has increased by five percent during the first five months of this year compared with the same period in 2016 -- could ultimately be affected.

The euro's rebound comes with the economic recovery of the eurozone on track. "The eurozone is today seen by many as a zone of stability," Philippe Waechter, an economist at Natixis, told AFP.

The economy in the 19-country single currency area grew by 0.6

percent in the second quarter, compared with 0.5 percent in the first three months of the year, the Eurostat statistics agency said this week.

Compared with the same quarter in 2016, economic output in the eurozone rose by 2.1 percent, it added.

"All in all, the eurozone economy has rounded out the first half of the year in a very healthy state and seems to be set up nicely for continued firm growth for the rest of 2017," said analyst Bert Clijn of ING.

Eurozone growth as a whole rose twice as fast as in Britain, where gross domestic product was up 0.3 percent in the last quarter.

Then on Thursday the Bank of England cut its UK growth forecasts with governor Mark Carney warning that high inflation triggered by a Brexit-fuelled slump in the pound had hurt consumer spending.

So for now the strong euro is expected to have little impact on overall eurozone growth, said Subran, who estimated a loss of 0.1 percentage point this year.

However if the single currency continues to strengthen the impact on growth could reach between 0.3-0.4 percent next year.

In that case all eyes would turn to the European Central Bank to come again to the rescue.

German industrial output drops unexpectedly

AFP, Frankfurt Am Main

German industrial production declined in June, disappointing analysts' expectations, official data showed on Monday.

Production fell by 1.1 percent month-on-month in June, after a 1.2-percent rise in May, according to figures adjusted for price, seasonal and calendar effects from federal statistics authority Destatis.

The June figure fell short of the 0.25 percent growth predicted by analysts surveyed by Factset.

Industrial production is closely watched as an indicator of the health of an economy, and has been on the rise in Germany in recent months along with indicators of business, investor and consumer confidence.

Looking at the different industrial sectors, capital goods makers' output fell 1.9 percent, while producer goods production was down 1.2 percent and consumer goods production declined by 0.7 percent. Construction output fell 1.0 percent, while the energy sector was the only ones to report increased production, 1.4 percent higher than in May.

Despite the fall in June, "the business situation in industry continued to revive in the second quarter," the economy ministry in Berlin said in a statement, noting that production only sank in June after five consecutive months of increases.

"Industrial orders and indicators for the business climate suggest that the upward trend in industrial production will continue," the ministry added.

Cash crisis pushes Libyans to virtual payments

AFP, Benghazi, Libya

WHEN a cash crisis struck the war-torn North African country of Libya, many people were forced to queue for days to withdraw their savings. But electronic payments systems set up to tackle the dearth of cash have struggled to gain credibility amid accusations of abuse.

Said Fayed Fadlallah, 35, uses a mobile phone app to pay for a trolley-full of groceries at a large supermarket in second city Benghazi. "Now I don't have to spend hours or even days queuing at the bank to withdraw cash," he said. "They really solved a problem for us."

Years of violence and political chaos since a 2011 NATO-backed uprising that toppled and killed longtime dictator Moamer Kadhafi have left Libya's state institutions in crisis -- including the central bank. In 2014 it split into two, with the different branches overseen by rival governments in the west and east.

The resulting cash crisis, fuelled by spiralling inflation, caused huge queues to form at the banks and left many people unable to access their salaries.

In response, the banks have launched electronic payment systems.

In Benghazi, the Bank of Commerce & Development's "Edfali" (Arabic for "pay me") and Wahda Bank's "MobiCash" allow users to buy goods, pay restaurant bills and access pharmacies and hospitals.

But not everyone is happy. At the exit of the same Benghazi supermarket, his arms full of produce, Ayman al-Obeidi, 46, said the new payment systems were not working. "We were told... that prices would

remain unchanged" compared with cash prices, he said. "But we saw a 40 percent increase on payments with Edfali."

Many Libyans have not had free access to their bank accounts since 2014.

Braving cold in winter and blistering heat in the summer, they rushed to the banks on hearing rumours of cash deliveries and queued for hours without any guarantee they would be able to access their own money. The crisis has destroyed public confidence in the financial sector.

"People don't trust the banks any more," one bank employee told AFP, speaking on condition of anonymity. "They want to be sure they can get enough cash in case anything happens and the banks close, or if they can't leave their houses."

Employees of Libya's vast public service still have their salaries paid directly into their accounts. Many have turned to electronic payment systems to access their money. Such services allow buyers to credit the seller's account. They then receive an SMS message confirming that the transaction has been completed.

Wahda Bank's spokesman al-Motasseem al-Fitouri said transactions via MobiCash are "very secure". "It is not even necessary to have a smartphone to make payments, nor does the merchant have to have a point-of-sale device," he said.

The banks are aware that the services are open to abuse, however. On its website, the BCD encourages customers to report price hikes on payments via "Edfali".

And many businesses that were enthusiastic at first have since dropped the service. Salah al-Agouri, a businessman whose clients pay him using Edfali, is critical.



A Libyan young man uses a mobile phone app to pay at a store that accepts electronic payment systems, in the city of Benghazi.