Star BUSINESS

DHAKA WEDNESDAY SEPTEMBER 12, 2018, *BHADRA 28, 1425 BS* ● starbusiness@thedailystar.net

13 banks face Tk 10,971cr provision deficit

AKM Zamir Uddin

Thirteen banks faced a combined provisioning shortfall of Tk 10,971 crore in the second quarter of 2018 which not only exposed their worsening financial health but also raised the possibility of lending rate hike.

The banks are Sonali, Agrani, Rupali, BASIC, AB, Bangladesh Commerce, IFIC, Mutual Trust, First Security Islami, National, Premier, Social Islami and Standard, according to data from the Bangladesh Bank.

Some of the lenders have been facing the provision shortfall for a long time as they disbursed loans flouting rules, said BB officials.

First Security Islami Bank faced the provision shortfall for the first time in recent years.

A shortfall is an amount by which a financial obligation or liability exceeds the amount of cash that is available. The shortfall can be temporary, arising out of a unique set of circumstances, or it can be persistent, which may indicate poor financial management practices.

In the first quarter, the provisioning shortfall stood at Tk 10,596 crore at 12 banks.

As per the BB regulations, banks have to keep 0.50 percent to 5 percent provisioning against general category loans, 20 percent against classified loans of substandard category, 50 percent against classified loans of doubtful category, and 100 percent against classified loans of bad or loss category.

Banks have to keep the required provisioning from their operating profit, so they will raise the lending rates in the coming days to ensure profits, said Khondker Ibrahim Khaled, a former deputy governor of the central bank.

Banks, both public and private, have recently taken the decision to lower the interest rates on lending and deposits to 9 percent and 6 percent respectively – a move that will further erode their profit and provision base, he said.

The concern about the weakening financial health led banks to implement the rates partially breaking their own commitment in a bid to avoid provision shortfall and halt the declining trend of profits, he said.

"The single-digit interest rate is not fit for the country's banking sector right now as it has long been facing problems, stemming mainly from financial corruption," Khaled said.

READ MORE ON B3

Rich in Bangladesh rising faster than anywhere

Star Business Report

Bangladesh has topped the list of countries that saw the quickest growth in the number of ultra-wealthy people between 2012 and 2017, according to a new report from New York-based research firm Wealth-X.

The number of ultra-high net-worth (UHNW) individuals in Bangladesh rose by 17.3 percent during the period, the World Ultra Wealth Report 2018 shows.

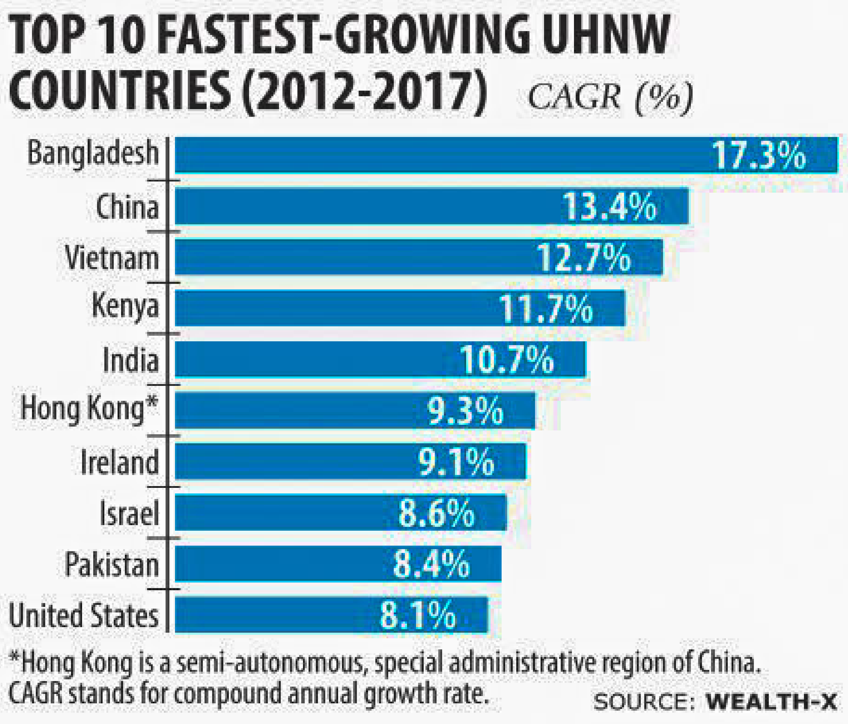
UHNW individuals are defined as people with investable assets of at least $30 million, usually excluding personal assets and property such as a primary residence, collectibles and consumer durables.

In terms of growth, Bangladesh is ahead of China, Vietnam, Kenya, India, Hong Kong, Ireland, Israel, Pakistan and the US.

Although the US recorded the weakest growth in its ultra-wealthy population, it remained by far the leading country for UHNW individuals in 2017, accounting for a 31 percent share.

The US was home to 79,595 ultra-wealthy individuals last year, followed by Japan, China, Germany, Canada, France, Hong Kong, the UK, Switzerland and Italy.

Among the top 10 countries, China and Hong Kong have achieved the strongest gains in their ultra-wealthy populations over the past five years. In contrast, those of Japan, Canada, Italy and the UK have largely stagnated. Looking at a broader range of nations, China – perhaps surprisingly – is not the global leader.



*Hong Kong is a semi-autonomous, special administrative region of China. CAGR stands for compound annual growth rate. SOURCE: WEALTH-X

READ MORE ON B2

Keep spending on skills development: experts

Star Business Report

Adequate and constant investment in human capital and skills development are the essentials to preparing the next generation for uncertainties of the future job market, International Monetary Fund's resident representative for Bangladesh said yesterday.

Rapid technological innovation and active labour market policies are also required, said Ragnar Gudmundsson.

He spoke at a roundtable on "Closing the skills gap: Preparing the next generation for an uncertain job market".

Bangladesh Youth Leadership Centre (BYLC) in partnership with The Daily Star organised the discussion at The Daily Star Centre in the capital.

Investment in human capital means higher public spending on vocational education—which is very insignificant in Bangladesh—and training and higher education, said Gudmundsson.

READ MORE ON B3

Banking loopholes limit potential of stockmarket

BSEC chief says in an interview

Jebun Nesa Alo *and* Ahsan Habib

Bangladesh's stockmarket is being held back from reaching its potential because of the indiscipline in the banking sector, which has spoiled companies' attitude, said M Khairul Hossain, chairman of the Bangladesh Securities and Exchange Commission (BSEC).

M Khairul Hossain

To raise funds from the public, only submission of financial reports is required, he said.

But big companies prefer to go to banks for their financial needs to avoid complying with the rule of having transparent financial transactions and maintaining corporate governance, he told The Daily Star in an interview yesterday.

"Stricter banking rules should be introduced now to punish the defaulters, so that the big companies are encouraged to come to the stockmarket for future financing."

As is practice, unethical businesses take huge loans from banks and avoid paying them back by getting stay orders from court on their defaulter status.

Although banks take huge collateral against the loans, they cannot confiscate the property because of the stay order.

"Besides, in Bangladesh we cannot compel multinational companies to come to the stockmarket due to lack of rules. But in India it is mandatory for every multinational to be listed with stockmarket if it wants to do business in that country."

READ MORE ON B2

Export falls in August

Star Business Report

Export earnings fell 11.74 percent year-on-year to $3.21 billion in August because of slowdown in shipment of major items such as garments, leather and leather goods and jute and jute goods.

The receipts in July were $3.58 billion.

Exports, however, rose 2.51 percent year-on-year to $6.79 billion in the July-August period and the earnings were 3.24 percent higher than the $6.58 billion target set for the two-month period, according to data from the Export Promotion Bureau.

In July-August, the shipment of garments, which contribute more than 80 percent to the national exports, grew only 3.82 percent to $5.73 billion.

Knitwear items fetched $2.91 billion and woven items $2.82 billion in July-August, up 1.53 percent and 6.28 percent respectively compared with the corresponding period a year ago.

Overseas sales of jute and jute goods declined 15.57 percent to $131.13 million in the first two months of the current fiscal year.

READ MORE ON B3

China to lend more this year: envoy

Star Business Report

China will lend more to Bangladesh this year than in the previous year to help improve its infrastructure, the envoy of the Asian economic powerhouse said yesterday.

Zhang Zuo, the Chinese ambassador in Dhaka, said his country lent Bangladesh $500 million in 2017 as per the commitment of their President Xi Jinping in October 2016.

The diplomat disclosed that Bangladesh has received the highest amount of loan among the least developed countries under the Belt and Road Initiative of China.

"This year Bangladesh is likely to receive more loans from China than other countries in the world," Zuo said.

READ MORE ON B3