

# State banks' bad loan recovery falters

AKM ZAMIR UDDIN

Five state-run banks made half-hearted efforts in the first half of the year in recovering their non-performing loans, which account for 47 percent of the total default loans in the sector.

Between the months of January and June, Sonali, Janata, Agrani, Rupali and BASIC managed to retrieve 8.74 percent of their bad loan recovery target of Tk 7,593 crore for the year.

At the end of June, total non-performing loan of the banking sector stood at Tk 89,340 crore.

Default loans in state banks escalated in recent months thanks to disbursement of a large amount of loans to unscrupulous persons without their business profile being verified, said a Bangladesh Bank official.

The number of habitual defaulters has increased, he said.

"This is a red alert for the banking sector. The defaulters think that nothing will happen if they do not repay the loans."

Besides, recovery efforts have been underwhelming as many of the large borrowers could refrain from repaying the loans because of their close relationship with the political quarters and the high-ups of the banks, the BB official added.

RECOVERY OF NON-PERFORMING LOANS		
	Recovered till June (in % of target)	Annual Recovery Target (in crores of taka)
Janata	19.18	1,700
Agrani	11.66	1,200
Sonali	3.23	2,500
BASIC	4.11	1,193
Rupali	6.16	1,000

Of the five banks, Janata made the highest recovery in the first half of the year: 19.18 percent of its annual target of Tk 1,700 crore.

It was followed by Agrani, which recovered 11.66 percent of its annual target of Tk 1,200 crore.

Sonali realised only 3.23 percent of its annual recovery target of Tk 2,500 crore, BASIC 4.11 percent of Tk 1,193 crore, Rupali 6.16 percent of Tk 1,000 crore.

Mohammad Shams-Ul Islam, managing director of Agrani Bank, said the state-run bank's default loan recovery has been tepid as there were many bank holidays in the first six months of the year.

"Many of our recovery officials were in a relax mood. But we have recently turned the situation around," he said, citing the bank's recovery of Tk 40 crore in the month of September alone to further his point.

Islam went on to blame the habitual defaulters who frequently file writ petitions with the High Court to get their default loans unclassified on the poor recovery.

Banks' recovery efforts are typically sluggish in the first half of the year, said Md Ataur Rahman Prodhon, managing director of Rupali Bank.

He hopes that Rupali would be able to recover at least 50 percent of its annual target as it has realised a handsome amount of default loans in the third quarter of the year.

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## Garment makers mull tie-up with Sri Lankan firms

They aim to add value, cut lead time

REFAYET ULLAH MIRDHA

Bangladeshi garment manufacturers want to tie up with their Sri Lankan counterparts to add more value to the garment supply chain and reduce the lead time by at least 10 days.

The development comes after Malik Samarawickrama, Sri Lankan minister for development strategies, put forward the idea in a meeting with the leaders of Bangladesh Garment Manufacturers and Exporters Association last week.

"The business can happen in joint venture as well if we agree," said Siddiqur Rahman, president of BGMEA, the garment sector's apex trade body.

Under the agreement, the Bangladeshi garment manufacturers will send the basic items to different garment factories in Sri Lanka for finer washing, remaking and adding more value as Bangladesh has abundance of work orders now.

After remaking and finishing of the goods, Sri Lanka will ship them off with the 'Made in Bangladesh' label to different European markets from their deep sea port.

"This will take less time than if we do it all by ourselves. Plus, we will be able to sell the garment items at higher prices to retailers."

A group of BGMEA leaders are scheduled to visit Sri Lanka soon to discuss the issue, according to Rahman.

Due to proximity of the Sri Lankan deep sea port to Europe, the lead time will be cut by at least 10 days.

"In the era of fast fashion, shorter lead time is very important as there are so many competitors."

Any kind of garment products can be sent from Bangladesh to Sri Lanka to be re-exported.

However, Bangladeshi garment makers will primarily send the items that the local manufacturers are particularly not strong at.

For instance, Sri Lanka has an edge in innerwear, so if Bangladesh gets a lot of work orders for them, they would be sent to Sri Lanka for further value addition.

"We do not see any possibility of losing buyers from Bangladesh due to this initiative. Still, we are in the initial stage of the process," Rahman added.

Regarding the initiative, Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said there is nothing wrong with the initiative.

## Furniture makers seek duty cut

National Furniture Fair begins



Customers get to know product details at a stall of Legacy Furniture Bangladesh Limited at a five-day National Furniture Fair that began at International Convention City Bashundhara in the capital's Purbachal yesterday.

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Furniture makers have demanded a cut in the 55 percent import duty imposed on all raw materials except wood, to gain competitive advantage in the global market and increase exports.

"If the government gives us licence for bonded warehouse, the export volume would increase rapidly as manufacturing cost would come down," said KM Aktheruzzaman, president of Bangladesh Furniture Exporters' Association (BFEA).

He was addressing the opening ceremony of the 15th edition of the five-day National Furniture Fair 2018 organised by the Design and Technology Centre Ltd at International Convention City Bashundhara in the capital yesterday.

"Now we export world-class furniture to different countries, including India, Nepal, Bhutan, Australia, Canada and those in the Middle East," Aktheruzzaman said.

Export earnings hit around Tk 600

crore last year, he said.

Aktheruzzaman sees a huge potential for furniture business at home and abroad.

Shubhashish Bose, senior secretary to the commerce ministry, said the government was committed to incentivise the sector for the diversification of exports.

The secretary gave assurance of placing the issues related to bonded warehouse and import duty before the authorities concerned for consideration.

He said the sector has good potential in Bangladesh thanks to the availability of low-cost labour.

"Furniture has gained elegance and class alongside rapid urbanisation in the country. The spending capacity of around 30 percent of the population has increased and they now seek to purchase quality products."

There are even some high-income people who change their furniture frequently, he said. "The manufacturers should put emphasis on office furniture along with home furniture."

Bijoy Bhattacharjee, vice-chairman of the Export Promotion Bureau, said local companies now cater to 90 percent of the demand whereas just 10 to 15 years ago Bangladesh was importing 60 percent to 70 percent of the furniture from Malaysia and China.

He suggested manufacturers minimise cost and produce products what customers from all income group can afford.

"The demand for furniture will not decrease in the country rather it will increase by keeping pace with the rising per capita income."

"So there is huge potential for furniture business in the future as developed countries are gradually abandoning furniture manufacturing as well," he added.

Sheikh Fazle Fahim, senior vice president of the Federation of Bangladesh Chambers of Commerce and Industry, and Selim H Rahman, chairman of Bangladesh Furniture Shilpa Malik Samity, and Sheikh Abdul Awal, vice chairman, also spoke.

## Submarine Cable Company records lowest profit

It is spending revenue on repaying loans for second undersea cable

MUHAMMAD ZAHIDUL ISLAM

PERFORMANCE OF SUBMARINE CABLE COMPANY		
FISCAL YEAR	EPS	Dividend
2013	6.69	15%
2014	2.42	10%
2015	0.86	10%
2016	1.00	10%
2017	1.93	12%
2018	0.44	5%

Bangladesh Submarine Cable Company Ltd's net profit sank 77 percent to Tk 7.33 crore in fiscal 2017-18 despite logging in record revenue thanks to repayment of a loan taken to launch the country's second undersea link.

Last year, it borrowed \$39 million from the Islamic Development Bank to bear the cost of launching the country's second submarine cable, which connected Bangladesh with South East Asia and Western Europe via the Middle East.

For the next ten years it has to pay Tk 33 crore in instalment to the Jeddah-based lender. Accordingly, Tk 33 crore was kept as provisioning from last fiscal year's earnings.

"Actually we are not doing badly, but as the company is repaying the loan, the profit has declined," said Mashiur Rahman, managing director of BSCCL.

The profit was the lowest yet for the country's lone submarine cable company, although revenue earnings surged 35.53 percent year-on-year to Tk 140.50 crore during the course of the fiscal year, according to the company's annual report.

The record revenue came on the back of increased data use across the country. The

## Kar Bahadur title may go

SOHEL PARVEZ

The tax administrator plans to discontinue the Kar Bahadur title, a decoration that was introduced last year to honour long-time taxpaying families and to encourage high-income families to pay tax properly.

Last year, the government honoured the country's 84 top taxpayer families with the title along with 141 top taxpayers in various sectors and professions.

"We are not going to confer any title named Kar Bahadur this year," said a top official of the income tax department of the National Board of Revenue, seeking anonymity.

"But we will continue awarding the top taxpayers."

The tax authority has also decided to stop providing income tax identification cards to the taxpayers in the upcoming annual tax fair to be held from November 13 to November 19 in Dhaka and other divisional cities.

"We have already communicated the matters with the finance minister."

The NBR issued the plastic cards, known as Tax ID, in the last year's fair acknowledging the receipt of tax returns.

"This card has no utility. This is simply an acknowledgement receipt," said the official.

## Election candidates will have to submit tax certificates

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The tax authority will make submission of income tax certificates mandatory for candidates running for elections in future, said National Board of Revenue Chairman Md Mosharraf Hossain Bhuiyan yesterday.

"Those who take part in elections spend quite a good amount of money," he said at a meeting on the expansion of tax net at Dhaka South City Corporation (DSCC).

The Central Tax Survey Zone under the NBR organised the event to motivate taxpayers about compliance.

He, however, did not specify when the new rule would come forth. Candidates for city corporation and union council elections must furnish their taxpayer identification number (TINs) for running in election for local government bodies.

"If the person does not pay tax, how would he/she be able to serve the nation? So, we will take steps in future," he said, citing the plan to make submission of a certificate of tax office confirming tax return filing by the person.

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