

Farmers Bank to take new name amid image crisis

Troubled bank seeks a fresh start

AKM ZAMIR UDDIN

Farmers Bank is set to be renamed Padma Bank as the troubled bank looks to sweep the gross irregularities and loan scams under the carpet and get an image makeover.

"We are trying to rescue the bank and as part of that move we have decided to rename it," Chowdhury Nafeez Sarafat, chairman of the bank, told The Daily Star.

The move got the go-ahead from the central bank yesterday on grounds that it would have a positive impact on client confidence.

"Clients have been in a confidence crisis on the bank as it had faced large-scale corruptions and liquidity crisis," said a central bank assessment paper of the Farmers Bank renaming process.

The bank, which was established in 2013, became a hotbed for financial irregularities in less than three years of operation.

More than Tk 3,500 crore was siphoned off from the bank, according to Bangladesh Bank.

As of September, default loans at the bank stood at Tk 3,071 crore, up from Tk 723 crore at

the end of last year.

As of September, its non-performing loans accounted for 58 percent of its total outstanding loans of Tk 5,311 crore.

Muhiuddin Khan Alamgir and Md Mahabubul Haque Chisty, the then board chairman and chairman of the audit committee respectively, were forced to resign from their respective posts in November last year.

Allegations of corruption against them became deafening and depositors, which included different government agencies, started pulling out money.

This prompted the central bank and the government to step in and rescue the bank.

Four state-owned commercial banks -- Sonali, Janata, Agrani and Rupali -- and the Investment Corporation of Bangladesh bailed out the bank buying equity shares worth Tk 715 crore.

Managing directors of the five financial institutions were appointed directors of the bank.

"We are now run by professional bankers. All of our nine directors are representatives of different institutions," Sarafat said.

"We hope we can improve the conditions of the bank."

He claimed that they have recovered Tk 600 crore of default loans since taking charge several months ago.

"We are also carrying out a functional audit by external experts to determine the real health of the bank," said the chairman.

The central bank will issue an

CHRONICLES

Farmers Bank being unable to repay most depositors' money since Nov 2017

BB carried out inspections in Nov-Dec of 2017 discovering loan corruption worth Tk 3,500cr

The bank restructured board on Nov 27 last year

Four state banks and ICB injected Tk 715cr in Feb this year

NPLs stood at 57pc of total loans in Sep this year

PRECEDENTS FOR RENAMING

Bank of Credit and Commerce International was renamed Eastern Bank in 1992

Name of Oriental Bank was changed to ICB Islamic Bank in 2008

amended licence to Farmers Bank once it gets the certificate of incorporation from the Office of the Registrar of Joint Stock Companies and Firms.

The BB will issue a circular to all banks when the renaming takes effect.

There are two instances in the recent past of banks being renamed in Bangladesh: Eastern Bank, which was established in 1992 from the ashes of the then-collapsed Bank of Credit and Commerce International, and Oriental Bank, which was renamed as ICB Islamic Bank in 2008.

WB's assertive plan for job creation

The lender tags several conditions for reforms with \$750m budget support

REJAUL KARIM BYRON

The World Bank has attached several conditions to its budget support programme that it extended to Bangladesh for three years with a view to creating faster job growth, which has slowed down in recent times.

The Washington-based multilateral lender is set to provide \$750 million in three equal instalments and the first instalment of \$250 million was approved recently.

Before the first instalment was approved, the government had to fulfil nine conditions.

The conditions include: enactment of the One-Stop Shop Act 2018; placement of the Customs Act 2018 in the parliament; approval of the National Environment Act by the cabinet; passage of the Bangladesh Labour Act (Amendment) 2018; and enactment of the National Skills Development Authority Act 2018.

The women and children affairs ministry has submitted the draft Child Daycare Act to the scrutiny committee of the cabinet.

For release of the second instalment, specific conditions will have to be met. The conditions mostly deal with proper implementation of the conditions that were tagged with the first instalment.

The budget support, which comes after a gap of ten years, was extended because of a slump in job creation since 2010: the growth rate for jobs fell to 1.8 percent in 2010-16 from 2.7 percent in 2003-10.

"Despite Bangladesh's robust economic growth, the pace of job creation has slowed in recent years, and almost stalled in the readymade garments sector," the WB said.

Women and workers in lagging regions, and youth in particular face challenges in

MAJOR CONDITIONS
Enactment of One-Stop Shop Act 2018
Placement of Customs Act 2018 in parliament
Approval of National Environment Act by the cabinet
Passage of Bangladesh Labour Act (Amendment) 2018
Enactment of National Skills Development Authority Act 2018

accessing quality jobs.

Both foreign and domestic investors face high barriers to establishing and growing their businesses, which ultimately hamper job creation.

Bangladesh attracted just \$13 of foreign direct investment per capita in 2017, which is way lower than the average of \$43 clocked in by the lower middle income countries and \$148 by Vietnam, the country's major competitor in foreign trade.

Firms looking to establish new business in Bangladesh must navigate a non-transparent and cumbersome regulatory space that includes 150 services delivered by 34 different line agencies.

Referring to the WB Doing Business Report, the lender said registering a business in Bangladesh costs the equivalent of 22.3 percent of annual per capita income, which is 15 percent in case of neighbouring India and 6.5 percent for Vietnam.

"Such bureaucratic process and complex documentary requirements impose a high cost on investors and impedes entry."

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Investors frown upon DSE app charge



STAR BUSINESS REPORT

The Dhaka Stock Exchange has decided to charge Tk 150 per month on the use of its investment app from next month, something many have taken as an anti-market move that may make trading less inviting.

The decision came at a recent board meeting but it was made public yesterday.

Of the fee, Tk 100 will go to the app's developer, FlexTrade, Tk 20 to the DSE and the rest to the stockbroker.

Investors already bear a maximum Tk 500 every year as maintenance fee and trading charges of the beneficiary owner's account.

Launched on March 9, 2016, the app had 39,927 users as of yesterday. Those

who found the mobile-based trading useful explain that purchases and sales in the stock market were all about getting the timing right.

Many market insiders believe the premier bourse took the decision with support from stockbrokers, for it would be a source of income for both of them.

Others say there are stockbrokers who discourage the use of the app because it gives investors instantaneous alerts to the changes to their accounts, a major impediment to dubious intentions.

Investor Motaher Hossain said though the market had not been giving much profit in the last couple of years, he still was bound to pay the yearly brokerage charge.

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Special economic zone on cards for Japanese investors

JAGARAN CHAKMA

Bangladesh Economic Zones Authority (Beza) will ink a deal with Japanese Sumitomo Corporation in February to develop a special economic zone for 200 investors from Japan, said a top official.

The draft land lease agreement to allow the zone to be built on 1,000 acres of land at Araihasar upazila in Narayanganj has been prepared and is waiting for vetting by the law ministry.

"Establishment of an economic zone for Japan in Bangladesh is a great move, which will prove that Bangladesh is a lucrative place for foreign investors," Paban Chowdhury, executive chairman of Beza, told The Daily Star yesterday.

He said 500 acres of land had already been acquired for the zone and the rest was in the pipeline for acquisition.

According to Beza, Japan International Cooperation Agency, the development arm of the Japanese government, will lend Bangladesh about Tk 1,000 crore at a concessional interest rate to establish the zone.

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Ashuganj Power to issue bonds to raise Tk 600cr

STAR BUSINESS REPORT

State-run Ashuganj Power Station Company Ltd is going to raise Tk 600 crore by issuing bonds for the first time.

Of the amount, Tk 500 crore will be collected through private placement and the rest through stock markets.

The power producer signed an agreement with seven banks and financial institutions to raise the private placement portion of the fund at a programme at the InterContinental Dhaka hotel yesterday to this effect.

Bangladesh Infrastructure Finance Fund, Agrani Bank, Rupali Bank, Sonali Bank, Uttara Bank, Sadharan

Bima Corporation, and the Investment Corporation of Bangladesh will purchase bonds worth Tk 385 crore.

Dutch-Bangla Bank will purchase bonds worth Tk 50 crore, said an official of the Power Division. Bonds worth Tk 65 crore will be sold to other banks and financial institutions later. Bonds valued Tk 100 crore will soon be released through stock exchanges and work on it has already begun, said the official.

The yield on the bonds will be 8.5 percent to 10 percent.

In a statement, the power ministry said the huge amount of funds needed to set up the power plants were mobilised from sources such as

the government, export credit agencies, suppliers' credit, bidders' credit, joint ventures and government-to-government arrangements.

The issuance of the bonds has now emerged as an alternative source for financing power plants, it said.

Speaking at the ceremony, Nasrul Hamid, state minister for power, energy and mineral resources, said use of bonds to alternatively fund the power sector was increasing day by day.

He said shares might be floated abroad and it would be possible if the work was done maintaining transparency and accountability.

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