

# Kamal in denial about bad loan situation

STAR BUSINESS REPORT

Bangladesh's non-performing loan situation is not as dire as is being reported in the news media, said Finance Minister AHM Mustafa Kamal.

As of September last year, NPL accounts for 11.45 percent of the banking sector's total loans, according to Bangladesh Bank data.

In terms of amount, it stood at Tk 99,370 crore -- the largest yet in Bangladesh's 48-year history.

The rate of NPL is far higher in other countries, including the neighbouring India, Kamal told reporters after a meeting with the Bankers Association of Bangladesh (BAB) at his office yesterday.

At the end of September, the rate of NPL was 10.58 percent in India. In Pakistan it was 8.3 percent, as of March 2018.

"Everybody is worried about NPL. But the way it is reported in the media, it is not so high," Kamal said, while instructing the central bank and the financial institution division to evaluate the information.

The new finance minister went on to assert that the total NPLs will not increase by even a penny going forward.

"As of today, what is on the balance sheet will remain the same -- it will not increase in anyway."

He said he held the meeting with the bank owners on the condition that the sector's NPL cannot increase going forward.



Nazrul Islam Mazumder, second from right, chairman of the Bangladesh Association of Banks, and Salman F Rahman, extreme right, a lawmaker and chairman of IFIC Bank, meet AHM Mustafa Kamal, third from right, minister for finance, at the latter's office in Dhaka yesterday.

"It is your matter now how the NPL will be managed or reduced."

Quoting the bank owners, Kamal said they have assured him that the NPL will not edge up further.

"With the government's assistance and our own efforts the NPL will not increase from today," said Nazrul Islam Mazumder, chairman

of the BAB.

In response to a question from a reporter, Kamal said all businessmen are influential.

Asked whether he would take any actions against the influential businessmen who do not pay back loans, Kamal sought for a specific list of names from reporters that he will verify.

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# Islamic banks' excess liquidity shrivels

JEBUN NESA ALO

Shariah-based banks saw a sharp fall in excess liquidity in the third quarter of last year because of aggressive investment to the point of violating the ceiling set by the central bank.

Between the months of July and September the excess liquidity of the Islamic banking industry shrank 19.54 percent to Tk 5,202 crore from the previous three months, according to data from the Bangladesh Bank.

The loan-deposit ratio surged to 97 percent during the quarter, which is way above the authorised limit of 90 percent.

Of the eight full-fledged Islamic banks five had lent breaching the ceiling.

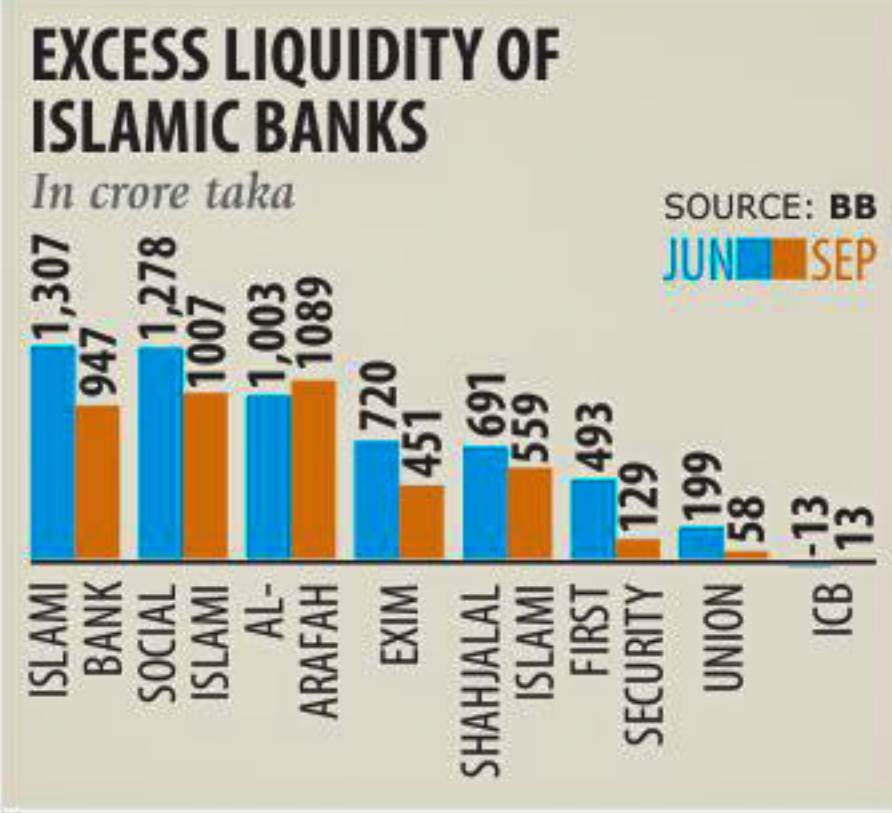
The eight banks are Islami Bank Bangladesh, Exim, First Security, Al-Arafah, ICB Islamic, Social Islami, Shahjalal Islami and Union bank.

Save for Islami Bank Bangladesh, Al-Arafah and ICB Islamic, all lent above and beyond their loan-deposit ratio ceiling.

"Over-investment ate up the excess liquidity," said Mohammed Haider Ali Miah, managing director of Exim Bank, a full-fledged Shariah-based lender.

Banks have now put the brakes on their lending after the central bank asked them to bring down their loan-deposit ratio to 89 percent from March. Islamic banks have never faced liquidity shortage, according to Miah.

"Rather, we faced excess liquidity as we cannot invest in government treasury bills and bonds."



However, introducing an Islamic bond could be an alternative in future.

The Islamic banks' credit base expanded 14 percent year-on-year to Tk 220,343 crore in the third quarter of 2018 against its deposit base of Tk 227,814 crore, which grew 11.67 percent.

Their share of excess liquidity accounted for 6.45 percent of the banking sector's total surplus funds during the quarter.

As of September 2018, Islami Bank Bangladesh holds the largest share of deposits amongst the Shariah-based lenders: of 35.31 percent. The bank saw a 27.5 percent fall in excess liquidity to Tk 947 crore during the quarter, according to central bank data.

Apart from the eight full-fledged Islamic banks, there are 19 Islamic banking branches of nine conventional banks and 25 Islamic banking windows of seven conventional banks.

# Rice prices up for polls disruptions

No more price rise from now: minister

STAR BUSINESS REPORT

Rice prices have increased by Tk 2 each kilogram owing to disruption in the supply chain because of the 11th general elections, said Food Minister Sadhan Chandra Majumder yesterday.

"Now, the market is stable," he said after a meeting with rice millers at the Directorate of Food on the reasons behind the spiral in prices of the staple despite good production in the last three seasons and 11.79 lakh tonnes of rice stocks in the public warehouses. Commerce Minister Tipu Munshi and rice traders were also present at the meeting.

In the past week, the prices of coarse rice, consumed mainly by low-income people, edged up by Tk 1 to Tk 35-38 per kilogram, according to data from the Department of Agricultural Marketing (DAM).

Majumder though said they do not have information about the spike in coarse rice prices.

"The prices of fine rice have risen by Tk 2 each kilogram and millers have admitted to that."

Fine rice was selling at Tk 55-62 a kg yesterday, up from Tk 54-62 a month ago, according to data from the Trading



Corporation of Bangladesh.

"The spiral may take place in Dhaka because of the 48-hour suspension of transport during national election. But at the hub, particularly in Naoagaon, prices have not soared," Majumder said.

The divisional rice price data show that the retail prices of rice have not risen yesterday, he said. The rice market has become normal now.

"All the millers have promised that they will not increase the prices further. We do not think there is any conspiracy behind the price hike."

In response to a question on ensuring fair prices for growers, he said it is the responsibility of the agriculture ministry.

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# Exports prove a boon for paper mills

They can now utilise their unused production capacity

SOHEL PARVEZ

Increasing export of paper and tissue has created a window for local mills to utilise their huge unused capacity and bring home foreign currency.

Bangladesh's 110 paper mills, with a capacity of producing more than 15 lakh tonnes of paper and paper products annually, can use less than half of their capacity as domestic demand hovers around 9-10 lakh tonnes.

Under the circumstances, the opportunity for export, which opened nearly a decade ago and gradually expanded, has become a boon for the capital-intensive paper industry.

"We have overcapacity as a whole. We will be able to utilise more capacity if we can increase export," said Md Mustafizur Rahman, deputy managing director of Bashundhara Group that has the country's biggest paper mill.

As a result of overcapacity, a portion of the mills are on the brink of closure, he said.

Bashundhara, which pioneered paper mills among the private sector here, is the biggest exporter out of more than 20 mills that export writing paper, facial and toilet tissue and packaging materi-



EXPORT OF PAPER AND TISSUE

Jul-Dec in US\$

WRITING PAPER  
TISSUE

SOURCE: EPB



als to 30 countries, according to industry insiders.

Export of paper and paper products soared 63 percent to \$16.24 million in 2018 from that a year ago, according to data compiled by the Bangladesh Paper Mills Association (BPMA).

Export Promotion Bureau (EPB) data showed that the total shipment of paper and tissue rose 54 percent year-on-year to \$8.37 million in the July-December period of the current 2018-19 from that a year ago.

India and China are major destinations of locally produced paper and paper products, according to BPMA.

Rahman, also chairman of export and business development standing committee of the BPMA, said nearly 1,200 mills have been closed down in China for pollution and impacts on the environment.

This has brightened prospects for us, he said, adding that opportunity has also opened up for export to India.

Insiders said export of paper and paper products began to rise fast after the government offered 10 percent cash incentive for exporters in 2016.

The industry is witnessing rising shipment of paper and paper products at a time when demand for writing and printing paper is falling

in the face of rapid digitisation and move towards paperless business operations.

And even though the demand for paper is falling, there is still demand in countries where access to education remains low. Countries registering higher economic growth also see increased use of paper.

"The good news is that there is a shortage of tissue globally," said Rahman of Bashundhara.

Muhammad Manjur Hossain, general manager for international marketing and export at Bashundhara Paper Mills Ltd, expects shipment of tissue to rise in 2019.

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Salespersons set up displays at the Singer pavilion at the 24th Dhaka International Trade Fair which opened for a month in Sher-e-Bangla Nagar on Wednesday.

# DITF 2019 Many stalls still not ready

STAR BUSINESS REPORT

A good number of local and foreign entities were found carrying out stall decoration work at Dhaka International Trade Fair yesterday although the annual showcase was opened a day before for the general mass.

Some 53 stalls had been allocated for foreign participants from 23 countries, Abdur Rob, the fair's member secretary, told The Daily Star.

But most of the foreign participants are yet to start showcasing their products as stalls are yet to be completed, he said.

Rob, however, said neither he nor the EPB could verify how many foreign entities were taking part.

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# Foreign satellites will have to pay fees

Regulator framing rules for firms doing business in Bangladesh

MUHAMMAD ZAHIDUL ISLAM

The telecom regulator is set to formulate regulations to establish the country's satellite landing rights with a view to regulating the operations of foreign satellite companies doing business in Bangladesh.

Landing rights are permissions that operators must obtain for their satellites to be used in a particular country.

But in the absence of regulations, foreign satellite companies are providing services to local entities, including television channels, without taking any permission from the regulatory body.

Not only that, the government is also being deprived of revenue from the segment as the foreign companies do not pay anything to the national exchequer, said officials of the Bangladesh Telecommunication Regulatory Commission (BTRC).



"We have no clear idea about the satellite business of our country and it needs to be fixed first for Bangabandhu-1 to succeed commercially," said Md Jahurul Haque, acting chairman of the telecom regulatory body.

Bangladesh successfully sent its own satellite Bangabandhu-1 into the orbit in May. It is already serving some of the local television channels.

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