	USD	EUR	GBP	JPY
BUY TK	82.95	93.47	105.94	0.75
SELL TK	83.95	97.27	109.74	0.78

Star BUSINESS

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Credit growth hits 39-month low

AKM Zamir Uddun

Private sector credit growth fell to a 39-month low in December as businesses went on a cautious mode thanks to the mounting uncertainty centring on the 11th general elections.

Last month, credit growth stood at 13.20 percent, the lowest since September 2015, according to data from the Bangladesh Bank.

The growth was less than the central bank's target of 16.8 percent for the second half of 2018.

Not only businesses, banks too took on a guarded stance about expanding their lending activities, said economists and bankers.

Deposit growth has been slow all throughout last year in the absence of a vibrant business environment, said Salehuddin Ahmed, a former Bangladesh Bank governor.

"Election-centric uncertainty has ended, but there are still doubts on whether the private sector will get momentum."

Besides, the government's recent borrowing spree from banks will crowd out the private sector, he said.

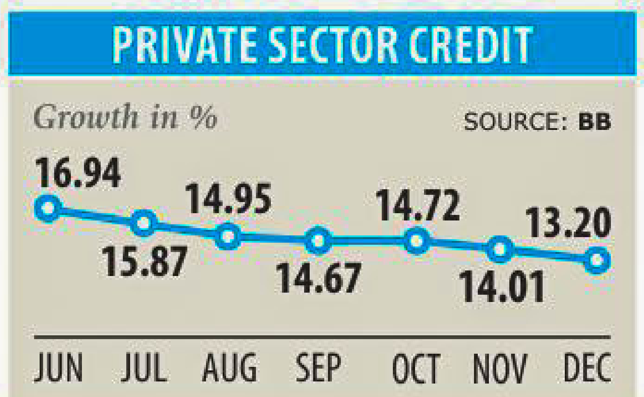
"The private sector will be deprived of credit," he added.

Banks are still facing hardship in operating their business as they will have to slash their loan-deposit ratio by March this year, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of the private banks' managing directors.

"We are giving an all-out effort to adjust the loan-deposit ratio and this will have an impact on the private sector credit growth," he said.

As per the central bank's instruction, conventional banks will have to lower their loan-deposit ratio to less than 83.50 percent

PRIVATE SECTOR CREDIT



by March from the existing ceiling of 85 percent and Shariah-based banks to 89 percent from 90 percent.

"The polls have just ended, so it will take more time to foresee the future trend of credit growth," said Rahman, also the managing director of Dhaka Bank.

The monetary policy programme could never stimulate the economy, so the missed credit growth target would not create any problem, said AB Mirza Azizul Islam, a former finance adviser to a caretaker government.

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BB moves to curb bad loans

Introduces new system to rate borrowers

Star Business Report

The central bank yesterday rolled out a new credit rating system to rein in spiralling bad loans.

The Internal Credit Risk Rating System (ICRRS) for banks will replace the Credit Risk Grading (CRG) model banks currently use to rate borrowers.

"The implementation of the new rating system will help banks reduce bad loans," said Fazle Kabir, governor of Bangladesh Bank, at the auditorium of the Bangladesh Institute of Bank Management in the capital.

The ICRRS refers to a system that analyses a borrower's repayment ability based on information about their financial condition.

It comprises 20 different rating templates for 20 industries, instead of just one template for all sectors like in the previous CRG model.

The guideline was launched following Finance Minister AHM Mustafa Kamal's recent remark that the country's total nonperforming loans, which is grazing Tk 1 lakh crore, will not increase any further.

About the NPL scenario, Kabir said, "It is a big concern for the industry."

About the finance minister's comment, he said it would be possible if all banks work together.

The growing NPL has been the most discussed issue in the banking industry in the last couple of years, said Abu Farah Md Nasser, an executive director of the BB.

The guideline will help banks reduce the NPL significantly, he added.

The ICRRS will be applicable for all exposures save for consumer loans, small enterprises with total loan exposure of less than Tk 50 lakh, short-term loans, microcredit and lending to banks, non-bank financial institutions and insurance, according to the guideline.

The governor also said bankers would have to become more sensitive to borrowers' needs and address their genuine problems.

He called upon the banks to play a supportive role and nurse their clients.

"It is true that sometimes business operations get hampered due to delays in gas and electricity connections. But banks should not stop financing them midway instead of addressing their real problems."

Both borrowers and banks must have their own feasibility reports when borrowing and lending respectively, said the governor.

Husne Ara Shikha, deputy general manager of the BB, and Prashanta Kumar Banerjee, a professor of the BIBM, jointly gave a brief presentation on the ICRRS at the programme.

BIBM

Bangladesh Bank Governor Fazle Kabir, *second from right*, attends the launch of guidelines on internal credit risk rating system for banks at the BIBM auditorium in Dhaka yesterday.

MONEY LAUNDERING

Ctg customs to sue two firms

Mohammad Suman, *Chattogram*

The customs house of Chattogram is going to sue two firms—Grambangla Food Corporation and M/S N Islam Enterprise—on charges of money laundering in the name of goods import.

Bangladesh Bank and the National Board of Revenue have recently instructed customs authorities to take legal action against the two under the Money Laundering Prevention Act 2012.

The customs house in May last year busted the two companies while illegally importing cigarettes worth Tk 12.86 crore. The hauls were labelled as textile goods and machinery worth Tk 11.50 lakh, according to BB and customs officials.

Only Tk 11 lakh was sent through bank for the purchases. Officials suspect that Tk 12.77 crore was laundered to Singapore.

The revelations came in a report of the Bangladesh Financial Intelligence Unit of the central bank in October.

The report said the companies exist on papers only and their documents of house rent, trade licence, address, bank accounts, letter of credit and credit report of supplier were forged.

The Daily Star saw documents related to 20 falsely labelled consignments of various goods busted in the last four and a half years. Officials suspect that money was laundered in each of the cases.

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Per capita debt crosses $200

Star Business Report

Bangladesh's per capital external debt now stands at $204.85 thanks to the large loans the government has taken from China and Russia for some transformational projects.

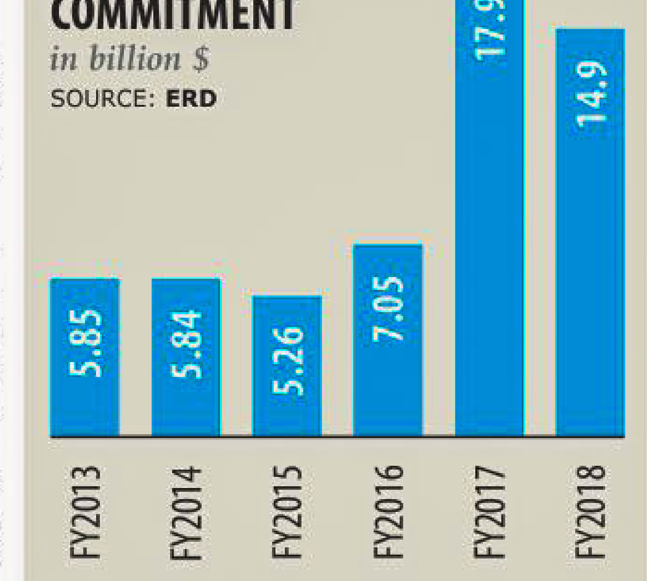
In fiscal 2016-17 the per capita debt was $177.12, according to the Economic Relations Division.

"Bangladesh's external debt situation is still in the risk-free zone," said an ERD official, adding that there is no threshold for per capita debt.

The comments came at a workshop for journalists on the information management system, organised by the ERD yesterday at the Bangabandhu International Conference Centre (BICC).

At the workshop the ERD gave a presentation on Bangladesh's aid scenario. As of June 2018, the total outstanding external debt stood at $33,520 million.

FOREIGN AID COMMITMENT



In the last five years, especially in the last two years, huge foreign aid commitment was received, which led to the spike in outstanding debt and per capita debt.

During the period, bilateral and multilateral development partners have committed $50.7 billion, which is 1.3 times higher than in the previous five years.

In fiscal 2016-17 the commitment was $17.96 billion and in the following year $14.90 billion.

As the commitment increased, the amount of unused foreign aid in the pipeline also shot up.

In the last fiscal year, unused foreign aid in the pipeline was $44.31 billion, of which 68.53 percent was from fiscal 2016-17 and fiscal 2017-18.

The composition of the pipeline aid is dynamic rather than static, according to the ERD presentation. The disbursement of aid from existing pipeline and piling up of new aid into the pipeline are going on simultaneously.

In this context it could be argued that the size of the current aid amount in the pipeline is not abnormally high.

Rather, it augurs well for timely and effective disbursement of aid in future in the priority sectors.

Previously, a report showed that foreign aid utilisation is delayed due to procurement and recruitment issues. "If the projects are delayed the project cost also goes up," said ERD Secretary Monowar Ahmed, who inaugurated the workshop.

The ERD has already taken several steps for speedy implementation of the projects.

If the foreign aid implementation is delayed, a commitment charge has to be paid to the development partner. To make the project directors more accountable, the ERD will make recommendations to the government.

They are also taking initiatives to make the ERD more time befitting, he added.

VAT cut for internet backward linkages

No impact on users: ISPs

Star Business Report

The National Board of Revenue (NBR) has reduced value-added tax (VAT) on backward linkages of internet service providers to 5 percent from 15 percent.

The development followed a letter from the ICT ministry in November last year which sought the slashing of the VAT rate on backward linkage service providing entities to reduce the cost of internet usage for more than 9 crore internet users.

In a letter sent to former finance minister AMA Muhith, ICT Minister Mustafa Jabbar said end-users would not benefit from the reduced VAT rate of 5 percent unless VAT on International Terrestrial Cable (ITC), International Internet Gateway (IIG) and Nationwide Telecommunication Transmission Network (NTTN) was reduced to 5 percent.

The NBR reduced VAT on internet use to 5 percent from July 1 in the face of appeals from service providers to withdraw the indirect tax that ultimately falls on consumers.

In the latest notification issued on January 15, the revenue collector said it waived VAT in excess of 5 percent on the ITC, IIG and NTTN. The reduction will cost a Tk 800 crore loss in revenue, said a senior official of the NBR.

Internet service providers and telecom operators, however, said the VAT cut would not help reduce the cost of internet usage as one of the main backward linkage service providers, Bangladesh Submarine Cable Company Ltd, has been left out.

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Allocate special zone for plastic products makers

Industry leaders demand at the opening of an international fair

Star Business Report

Plastic goods manufacturers yesterday demanded establishment of a special industrial zone so that they can relocate the unplanned plastic factories that are based in Old Dhaka.

At present, there are about 1,200 plastic factories in the oldest part of the capital, most of which are unauthorised, according to industry insiders.

"We have long been demanding a separate zone for us," said Md Jashim Uddin, president of Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA).

"If we get a special industrial zone, it will give a huge boost and we will be able to capture around 3 percent global market share in future."

He spoke while addressing the inaugural ceremony of the 15th International Plastic Fair 2019 jointly organised by the BPGMEA and Trade & Marketing Service Co Ltd at Radisson Blu Dhaka Water Garden.

The global market size of plastic goods is about $570 billion and Bangladesh has only 0.06 percent market share.

In 2017-18, Bangladesh exported plastic items worth $600.89 million, which was 1.4 percent of the country's total export of $36.44 billion, according to the association.

In the previous fiscal year, plastic goods export was $607.15 million.

Some 480 companies from 19 countries are taking part in the four-day fair at International Convention City Bashundhara in Dhaka and displaying products at 780 stalls in 15 categories.

PALASH KHAN

Machinery for plastics industry put up on display at the inauguration of the 15th International Plastic Fair 2019 at Radisson Blu Dhaka Water Garden yesterday.

The major categories include packaging materials, plastic moulds, crockery, pharmaceuticals, households, toys, furniture, melamine, garment accessories and polypropylene woven bags.

Jashim Uddin also demanded formulation of a "standard packaging act" to safeguard the sector.

He urged the government to withdraw value-added tax on locally made toys to help flourish the segment as it is still at nascent stage.

Industries Minister Nurul Majid Mahmud Humayun assured the business community of solving the existing bottlenecks that the businesses face.

At the event, Salman F Rahman, private industry and investment adviser to the prime minister, pledged to take initiatives to establish the plastic industrial zone as soon as possible.

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Nine shares downgraded to 'Z' category

Star Business Report

Nine listed companies were downgraded to "Z" category in 2018 because of their poor performance, which inflicted losses on the retail investors who are holding their shares.

The companies are Emerald Oil Industries, Tung Hai Knitting & Dyeing, Fareast Finance & Investment, AB Bank, Eastern Cables, Padma Islami Life Insurance, Evince Textiles, Northern Jute Manufacturing Company, and GBB Power.

They were downgraded for failing to recommend dividends, remaining out of operation for more than six months, or failing to hold annual general meetings (AGMs).

GBB Power, Northern Jute and Evince Textiles did not recommend any dividend for the year that ended on June 30, 2018.

Padma Islami Life Insurance, AB Bank, and Fareast Finance & Investment did not announce dividend for the year that ended on December 31, 2017.

Tung Hai Knitting and Emerald Oil were downgraded to junk stocks for their failure to hold AGMs in 2017.

Eastern Cables was placed in the "Z" category from the "A" category after it failed to hold AGM within 45 working days from the record date. The company has not sought permission from the securities regulator to hold the AGM after the 45 working days from the record date.

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