

COMMODITIES		ASIAN MARKETS				CURRENCIES					
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
0.54%	0.24%	\$1,300.70	\$67.61	38,386.75	21,608.92	3,207.66	3,090.64	83.30	93.53	109.64	0.73
5,690.55	10,406.86	(per ounce)	(per barrel)					BUY TK	SELL TK		
								84.30	97.33	113.44	0.77

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## Loan rescheduling hits peak

Islami Bank tops rescheduling chart

AKM ZAMIR UDDIN

Banks have rescheduled a record amount of default loans last year, fuelling further fears of the sector's health.

In 2018 non-performing loans amounting to Tk 23,210 crore were rescheduled, up 22 percent from a year earlier, according to data from the central bank. Curiously, last year saw both the default and rescheduled loans hit their peaks.

At the end of September 2018, banks' NPL grazed Tk 1 lakh crore -- it stood at Tk 99,370 crore -- the largest yet in Bangladesh's history. It came down to Tk 93,911 crore towards the end of the year.

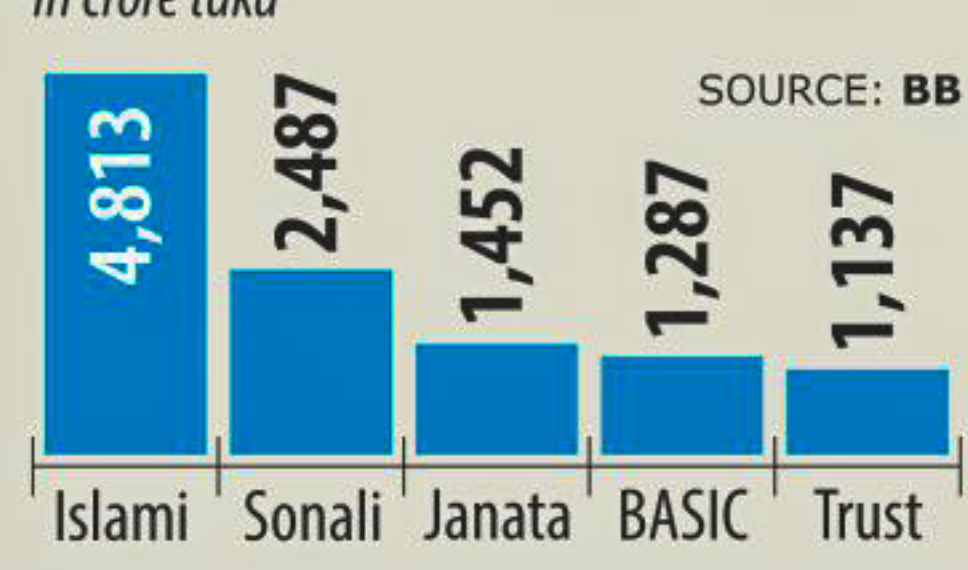
"This has cast a pall of gloom over the entire financial sector," said Ahsan H Mansur, executive director of Policy Research Institute, a private think-tank.

A major portion of the loans was rescheduled by taking special approval from the central bank on a case-to-case basis, meaning the applications would not have held water were they put through the standards for the Bangladesh Bank's rescheduling policy.

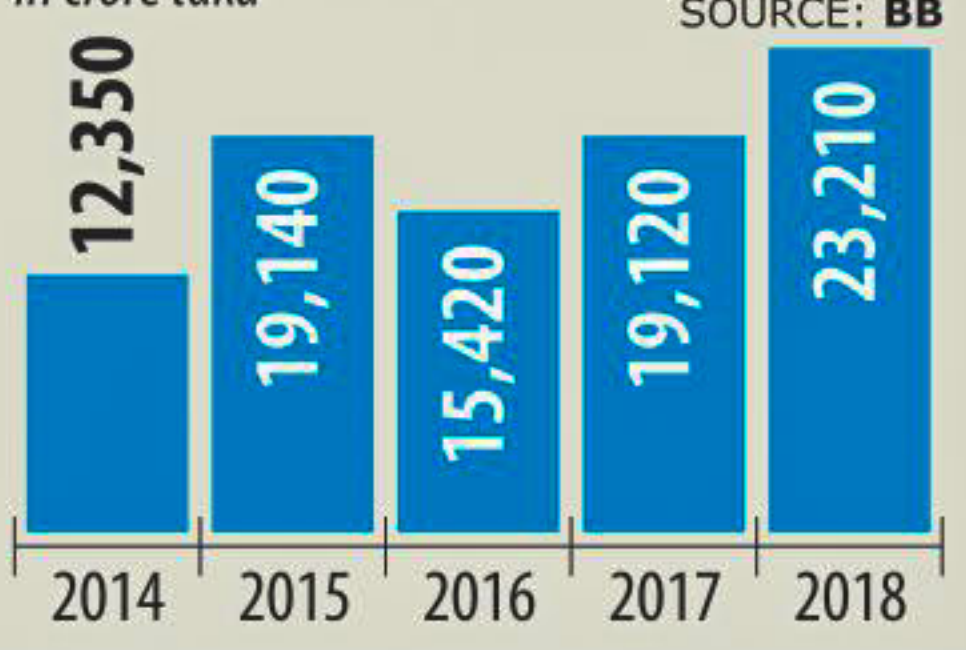
Furthermore, the majority of the lenders rescheduled their default loans on a wholesale basis without verifying the cash flow of the borrowers or without securing the required down payment, analysts said.

And the motive for such wheeling and dealing was to avoid keeping provisioning against the toxic loans and show hefty net profits.

### FIVE BANKS WITH HIGHEST RESCHEDULED LOANS IN 2018



### RESCHEDULED LOANS



In the long run this will not bring any good as it artificially showed a lower amount of default loans, said Mansur, a former economist of International Monetary Fund.

"It is just window dressing to make the statistics look better than what they are."

The real problem is that both the central bank and the government are yet to address the problem head-on; they are showing a nonchalant attitude towards it.

The central bank should not permit defaulters to reschedule their classified loans on a discretionary basis as it creates a moral hazard, he said. "If the central bank's ongoing policy continues, the default culture will remain and prop up habitual defaulters," Mansur added.

Of the banks, Islami Bank Bangladesh rescheduled the highest amount of default loans: Tk 4,814 crore, which is 21 percent of the total rescheduled loans in 2018.

The central bank gave about 200 special approvals -- bypassing its own policy -- to Islami Bank's loan rescheduling applications, said a BB official requesting anonymity due to the confidential nature of the matter. Default

loans at the bank, which is the largest in Bangladesh in terms of deposits, also increased 31 percent year-on-year to Tk 3,317 crore last year.

Banks have been extending the rescheduling facility for years and yet it could hardly bring any positive impact on the NPL amount.

In 2014 loans amounting to Tk 12,350 crore were rescheduled and over the next four years the sum ballooned 87.94 percent.

"Rescheduling is not a bad thing, but lenders will have to follow a cautious policy to regularise the loans," said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' chief executives.

The rescheduled loans will become default ones if it is done just with the intent of showing lower NPLs.

"Rescheduling should be done on the basis of the borrowers' cash flow," said Rahman, also the managing director of Dhaka Bank.

The central bank's financial stability reports for 2016 and 2017 also expressed concerns about the growing tendency of loan rescheduling.

Poor due diligence, influenced lending, and fraud and negligence in compliance with risk management practices could be the reasons for the rise in rescheduled loans, the reports said.

## Organic push earns global praise

Bangladesh sees fastest growth in internationally recognised organic textile factories

REFAYET ULLAH MIRDHA

Bangladesh is fast forging its way to be a hub of organic textile manufacturing amid a rise in demand from international apparel retailers.

In the country, the number of globally recognised textile factories, which use organic raw materials, rose 29 percent last year, with the growth rate being highest globally.

In 2018, organic certification grew 25 percent in North America, 23 percent in Pakistan and 23 percent in South Korea, said the Global Organic Textile Standard (GOTS), an international benchmark.

"Bangladesh continued its second position and registered a growth rate of 29 percent in terms of GOTS certified facilities," Sumit Gupta, GOTS representative for India and Bangladesh, said in a statement.

Globally, the number of facilities certified by the GOTS rose 14.6 percent to 5,760 in the year. GOTS certification covers the processing of certified organic fibres along the entire supply chain from field to finished product. Certified factories are located in 64 countries.

In terms of total numbers, the highest increase is reported from India, which added more than 315 factories, followed by Bangladesh at 155 and Europe 98.

Bangladesh has the second most GOTS-certified factories worldwide with 689

facilities, just behind India with 1973 factories.

The other top countries in terms of total number of certified units are: Turkey (519), Germany (500), Italy (340), China (301), Pakistan (238), Portugal (215), the US (127), and South Korea (85).

In the statement, GOTS Managing Director Claudia Kersten said: "The increasing number of certified facilities aligns with the common desire to solve sustainability



related problems."

"It confirms that GOTS is seen as part of the solution. Company leaders use GOTS as risk management tool and as market opportunity. Consumers value the verifiable certification from field to finished product."

David Hasanat, chairman and chief executive officer of Viyellatex Group, a leading apparel exporter, said export prospects of organic products from Bangladesh are good as the demand for such products is growing worldwide.

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## ADB lends \$14.2m to Pran

STAR BUSINESS REPORT

The Asian Development Bank (ADB) has signed a \$14.2 million loan agreement to support the expansion plans of Sylvan Agriculture Ltd (SAL), a Pran-RFL Group company.

The assistance will finance new food processing facilities to produce potato chips, potato flakes, and pasta, said PRAN, one of the largest food and agribusiness companies in Bangladesh, in a statement yesterday.

Under a gender action plan, women will comprise at least half of the 450 people to be employed in the new facilities in the Habiganj industrial park. Gender wage gaps will be reduced, women's facilities introduced, and greater technological assistance provided to women farmers.

Agriculture plays a key role in Bangladesh's economy and development, providing nearly half of all employment in the country and supporting more than 70 percent of the total population, said Tushna Dora, investment specialist for private sector operations of the Manila-based lender.

## Japan a key market for ICT sector

Entrepreneurs say at BASIS SoftExpo

STAR BUSINESS REPORT

Japan holds great potential for Bangladesh's ICT sector, with the Fareast nation on course to generating a lion's share of the government's export target of \$5 billion by 2021, said entrepreneurs yesterday.

Within the next five to 10 years Bangladesh might be the main driver of Japan's ICT market if the local companies can maintain the relationship and supply orders according to the contracts, said Rashad Kabir, managing director of Dream71.

Kabir's comment came in a discussion on the second day of the 15th edition of the BASIS SoftExpo, currently taking place at International Convention City Bashundhara.

The exposition's organisers -- BASIS and the ICT division -- kept several sessions on Japan with the view to harnessing the potential the country holds.

Currently, at least 10 Bangladeshi companies are earning over \$100 million a year from Japan, according to Kabir, also the chairman of a BASIS-Japan focus group.

Kabir's company Dream71 has entered into

a joint venture agreement with a Japanese company named Dream in Pocket.

"We even found some Bangladeshi companies that are earning 40 percent of their revenue from that market."

Japan is also giving Bangladeshi companies huge importance, he said while moderating an experience-hearing session.

Yuko Baba, chief marketing officer of DataSoft Japan Inc., sister concern of local tech giant DataSoft, said their company was doing very well.

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Tipu Munshi, commerce minister, seated second from right, and Kazi M Aminul Islam, seated third from right, executive chairman of Bangladesh Investment Development Authority, attend the second day of BASIS SoftExpo 2019 at International Convention City Bashundhara yesterday. The second day of the expo was declared "Japan Day".

## Duty waiver to boost local manufacturing of motorcycles

STAR BUSINESS REPORT

The revenue authority has waived the supplementary duty on the imports of motorcycle in completely non-assembled forms for the firms that have set up manufacturing facilities in Bangladesh or are set to do so.

The move comes following demands from two-wheeler manufacturers and assemblers.

"This is going to benefit consumers as the bike market will be competitive further," said a senior official of the National Board of Revenue (NBR).

Over the last two-three years, the motorcycle market expanded fast, buoyed by price cuts, after the government slashed the SD by 25 percentage points to 20 percent on the imports of components of two-wheelers to encourage domestic manufacturing in 2016-17.

## Businesses fume over bid to hike gas price

STAR BUSINESS REPORT

Business leaders yesterday spoke out against the distribution companies' proposal to hike the gas price by 132 percent for industrial units and recommended raising the prices in phases.

"We are bleeding now and we are not ready to shed anymore blood," said Siddiqui Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), at a joint press conference held at the trade body's office in Dhaka. Leaders of the BGMEA, the

Bangladesh Textile Mills Association (BTMA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) were present at the event organised to oppose the proposed gas price hike to Tk 18.04 per cubic metre from Tk 7.76 now.

The government had stopped giving new gas connections to industrial units since 2012, resuming it last year after the import of liquefied natural gas.

"Give us at least two years to cover the losses that we incurred over the last three years and adjust to the salary hike of workers," Rahman said.

Asked what would be an acceptable gas price hike for industries, the BGMEA president declined to give any specific rate and suggested incremental rises instead of one big hike.

The prices of Bangladeshi garment items declined by 3 to 7 percent between 2014 and 2018 whereas the cost of production increased 8 percent on average.

"So, this is not the right moment to raise the gas price -- the entrepreneurs are already being throttled," Rahman added.

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## Shipment delays raise fraud risks

BIBM survey finds

STAR BUSINESS REPORT

Shipment delays and late presentation of documents in the export-import process raise the risks of fraudulence and money-laundering in Bangladesh, according to a survey.

In 47 percent cases, nominated banks of Bangladesh received discrepancy notices whereas local issuing banks served such notices on their foreign counterparts in 48 percent cases in 2018, said the survey report titled "Trade Services Operations of Banks".

The Bangladesh Institute of Bank Management (BIBM) conducted the survey. Its Director Prof Shah Md Ahsan Habib presented the findings at a workshop at the BIBM auditorium in Dhaka yesterday.

According to the opinions of practitioners, the proportion of compliant letters of credit (LC) rose last year. However, banks received a greater number of spurious discrepancies.

The overdue bill of entry, an indication of unsettled cases of trade transactions, was 3,042 cases involving \$2.33 billion, the report said.

The survey found huge knowledge gap among the traders for the piling up of the overdue bills of entry and documentation discrepancies.

Compliance cost has already put huge burden on banks and cost-cutting measures in many instances created challenges for the bankers providing trade services, the report said.

Poor drafting of LC clause and inappropriate use of terms in trading became a matter of concern for many of the trading partners.

"It is essential to work on the issues to uphold the country's reputation for the sake of competitiveness," the report said.

Considering the concerning issues of trade-based money laundering, compliance requirements, and other financial crimes, the central bank has toughened requirements to enhance trade quality, said SM Moniruzzaman, a deputy governor of the Bangladesh Bank.

"Our policies have been developed as per market needs and risks."

Private banks are the major shareholder in international trade facilitation. In 2018, they accounted for 75 percent of export finance, followed by foreign banks 19 percent and state-owned banks 7 percent, according to the report.

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