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Default loans denting confidence: BIDS

STAR BUSINESS REPORT

The rise in default loans stemming from financial scams and weak supervision by the central bank are eroding the confidence of customers in the banking sector, according to a paper of the Bangladesh Institute of Development Studies.

In the recent past, corporate governance in the banking sector improved a lot, but the financial health of many banks has started to deteriorate alarmingly, analysts said yesterday at a Critical Conversation organised by BIDS at the Six Seasons Hotel in the capital.

Rising inequity and the declining trend of poverty reduction have raised question about the high GDP growth figure being recorded in recent years, they said.

The banking sector should be taken to global standards as the country heads towards the middle-income bracket, said Wahiduddin Mahmud, a noted economist and also a former adviser to a caretaker government.

The cost of foreign transactions for local banks will increase unless global standards are established in the banking sector, he said, while delivering a speech as the guest

of honour at the inaugural session of the two-day conversation.

Reforms were made in the past to take the banking sector to global level, he said.

"But it appears that we are switching away from global standard," he said, citing undue interference in bank operation, loan restructuring and recent changes in loan classification rules.

If research shows that policy changes for loan classification are necessary then it is warranted.

"And if the loan classification criteria are changed without research, it will appear to us that these are done amid pressure from businessmen. And it will not bring any good for the banking sector," he added.

At the first session of the conversation, Monzur Hossain, senior research fellow of BIDS, presented a paper titled "Banking sector in Bangladesh: Where are we heading to".

State-run banks have accounted for the highest share of non-performing loans (NPLs), while the private ones are struggling to keep it low by loan restructuring and rescheduling, the paper said.

Default loans in the banking sector stood at Tk 93,370 crore as of December last year, which is 10.33 percent of the total outstanding loans.

Bangladesh Association of Banks, a platform of the sponsors of private banks, declared 6 and 9 percent interest rate for deposit and lending respectively, but it did not work at all, Hossain said.

Assess social costs of large infrastructure projects

Prof Wahiduddin says at BIDS conference

STAR BUSINESS REPORT

Fixing priorities and assessing the social costs and economic benefits of large infrastructure projects have become important for Bangladesh as many of them are funded by costly suppliers' credit, said Prof Wahiduddin Mahmud yesterday.

"There are some eye-catching projects. But it is urgent to fix priority. I think a critical review is necessary," the economist said.

His comments came at the opening of a two-day event, BIDS Critical Conversations 2019, organised by the Bangladesh Institute of Development Studies (BIDS) at Six Seasons Hotel in Dhaka.

Mahmud, a former adviser to a caretaker government, said large projects were being taken by the government for the development of the country and research should be carried out to assess the social cost and the benefit of the big projects from the economic point of view.

"It is necessary to see whether building a tunnel under the Karnaphuli river is more important than building a tunnel under the Buriganga river. Or is it really necessary to build a tunnel in view of other infrastructure requirements?" he said.

He said the government accepts supplier's credit and undertakes large projects based on the source of funds and these are increasing the loan burden for the country.

Mahmud attached importance on ensuring accountability in economic management.

"We have come to a one-party dominant system of government. Under this system, an accountability mechanism should be established at all stages," he said, adding that Malaysia, South Korea, China and Vietnam had ensured accountability at all stages of economic management.

He suggested performance-based support to industries instead of cronyism.

Mahmud, a former professor of the economics department at the University of Dhaka, called for an active civil society and free media, saying that those were essential to establish accountability in society.

"Free media is urgently necessary as democratic institutions are not strong enough."

He said Bangladesh has made strides in various social indicators using low-cost technologies and by creating awareness. But with the economy growing, increased investment will be required for further improvement in the indicators.



From left, KAS Murshid, director general of BIDS; MA Mannan, planning minister; Wahiduddin Mahmud, a noted economist; and Shamsul Alam, a member of the General Economics Division, take part in the BIDS Critical Conversations 2019 at Six Seasons Hotel in the capital yesterday.

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Local firm offers digital bots for tedious tasks

STAR BUSINESS REPORT

A local IT company is offering the setups for robotic process automation (RPA), a combination of technology governed by business logic and structured inputs aimed at automating business processes.

"The RPA will help banks engage customers in real time and increase efficiency and productivity," MH Khusru, director of InfoSapex, told reporters at Best Western La Vinci Hotel yesterday while launching Robo2Mation.

Robo2Mation can be imagined as a digital robot in the form of software, said Imrul Hasan, director and CEO of InfoSapex.

"It is powered by artificial intelligence and therefore it is able to learn to do certain things when taught," he said.

Improve ease of doing business

European envoys urge govt

UNB, Dhaka

European ambassadors yesterday urged the government to take practical action with a view to improve the ease of doing business in Bangladesh.

The heads of missions of the European Union, Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, the United Kingdom made the call while participating in the fifth plenary of the EU-Bangladesh Business Climate Dialogue held at the commerce ministry.

They underlined that the Business Climate Dialogue is a good opportunity for Bangladesh to seek feedback from important EU stakeholders on improving the business environment and, by doing so, attract more EU trade and investment to the country.

This would be beneficial both to Bangladesh and the EU, said the EU embassy in Dhaka.

They noted that the policy reform process in Bangladesh has proved to be lengthy and complex.

Regulatory unpredictability, uncertainty, and the lack of coherence in policy implementation are major barriers to doing business, as highlighted in recent international and domestic reports, they said.

24 firms lauded for superlative health, safety standards

STAR BUSINESS REPORT

The government yesterday awarded 24 companies in the apparel, finished leather, jute, pharmaceutical and tea sectors for maintaining consistently high safety and health standards in the irrespective factories.

The recipients of the Occupational Safety and Health (OSH) awards are: Plummy Fashions, Wisdom Attires, Nafisa Apparels, Mother Colour, Fatullah Apparels, Comfit Composit Knit, Layla Styles, Epyllon Styles, Ecofab, Ananta Garments and Crown Wears.

Zaber & Zubaer Fabrics, Square Pharmaceuticals, Beximco Pharmaceuticals, Sanofi Bangladesh, Maf Shoes, Apex Footwear, Picard Bangladesh, Zareen Plantation, Shumshernugger Tea Estate, Janata Jute Mills, Wahab Jute Mills and Northern Jute Manufacturing Company are the other beneficiaries.

Rudimentary capital market to blame for banking sector woes

Experts say

STAR BUSINESS REPORT

The absence of vibrant stock and bond markets is to blame for the banking sector's current woes including liquidity crunch and bulging non-performing loans, experts said yesterday.

Banks are providing long-term loans with their short-term deposits, which is essentially the root of the problem, they said.

"This is fundamentally a serious mismatch," said Salman F Rahman, the prime minister's private sector industry and investment adviser.

Rahman's comments came at a conference styled 'Local Capital Market Infrastructure Financing', jointly organised by the Dhaka Chamber of Commerce & Industry (DCCI) and GuarantCo, which supports infrastructure development in low-income countries by providing credit guarantees.

One of the biggest problems is that the private sector depends only on financial institutions for long-term loans.

"It is a structural problem," he said.

Subsequently, he called for a vibrant stock and bond markets to provide long-term financing for infrastructure and industrialisation.

"The problem of our capital market is that all the stakeholders, including the regulator, do not realise that rise and fall is a nature of all stock markets."

In an emerging market the wild swings are expected due to lack of maturity, he said, adding that all stakeholders should be comfortable about it.

"I am quite happy that market is bouncing about a narrow limit," said Rahman, also the vice-chairman of Beximco Pharmaceuticals.

Bangladesh will need to increase infrastructure investment to 5 to 6 percent of GDP from existing 3.64 percent and the capital market should play a vital role in this, said Osama Taseer, president of the DCCI.

But the capital market is underdeveloped, while the private bond market is inactive.

For instance, the size of the corporate bond market in South Korea is 73 percent of the GDP, in Malaysia it is 46 percent and in India 16 percent. In Bangladesh, it is less than 0.20 percent, he said.

Bangladesh will need to invest \$608 billion from 2016-2040 on the infrastructure sector, said a study of GuarantCo.

Yamaha, ACI Motors unveil 2 new bikes

STAR BUSINESS REPORT

Japanese motorbike manufacturer Yamaha, in partnership with ACI Motors Ltd, yesterday launched two new models of two-wheeler with a view to attracting young riders in Bangladesh.

The models -- FZS FI V-3.0 and FZ V-3.0 -- were unveiled at a programme at Le Meridien Dhaka Hotel in presence of around 800 young bike-lovers.

"We have brought the two models for the young bike-lovers of Bangladesh with a high safety and sporty drive," said Motofumi Shitara, chairman of Yamaha Motor Group India.

FH Ansarey, managing director of ACI Motors, said Yamaha always targets young people on the back of its attractive design, superior performance and quality.

The pre-booking for the models began on April 10 and already the pre-booking for 1,000 units has completed, said Subrata Ranjan Das, executive director of ACI Motors.

The FZS FI V3 model is priced at Tk 295,000 and the FZ V3 is at Tk 290,000.

ACI Motors started its journey with Yamaha in September 2016. During this period, Yamaha witnessed a significant growth in sales.

Yamaha sold 16,210 units in 2017 and 20,387 units last year and is expecting a sales growth of 20 percent this year.



Motofumi Shitara, chairman of Yamaha Motor Group, India; FH Ansarey, managing director of ACI Motors, and Subrata Ranjan Das, executive director, attend the launch of two new Yamaha motorbikes brought in by ACI Motors, at Le Meridien Dhaka hotel yesterday.

FICCI celebrates 55 years in Bangladesh

STAR BUSINESS REPORT

The Foreign Investors' Chamber of Commerce & Industry (FICCI), whose members bring in investment to Bangladesh and contribute immensely to revenue generation, celebrated its 55th anniversary in Dhaka on Saturday.

MA Mannan, planning minister, attended the event as chief guest. Former presidents and executive committee members of the association, foreign delegates and diplomats were present.

The FICCI started its journey on July 1, 1963 as "Agrabad Chamber of Commerce & Industry" since Agrabad in Chattogram was the commercial hub of the country. In 1987, the association moved to Dhaka and got the current name.

Today, with more than 200 members, the FICCI comprises over 85 percent of all foreign direct investments coming to Bangladesh, according to a statement.