

IPDC on a roll

Innovative business models paid off, says its managing director

AKM ZAMIR UDDIN

WHEN a majority of financial institutions are struggling with default loans and a lack of corporate governance, IPDC Finance Ltd has achieved stellar success by rolling out a raft of successful business models.

"The success story of IPDC is an example for the entire financial sector," said Mominul Islam, managing director of the non-bank financial institution.

IPDC's journey was not smooth. When Islam joined IPDC as the head of operations in 2006, its classified loan stood at 37 percent. It did not have proper corporate governance related model, risk management framework, technological module and dedicated loan recovery unit.

Since then, the country's first private sector financial institution has grown from strength to strength by improving the whole system.

"Time-befitting initiatives and visionary targets have helped the NBFI become a good one," Islam told The Daily Star in an interview.

The classified loan now stands at only 1.20 percent of its total outstanding loans of Tk 4,700 crore, far below the NBFI sector's average NPL of 10.50 percent.

The volume of loans and deposits rose to Tk 4,432 crore and Tk 3,707 crore respectively in December last year, up from Tk 567 crore and Tk 399 crore four years ago.

IPDC enjoyed a healthy net profit of Tk 45 crore last year, up 34.16 percent from a year ago and 172 percent from four years earlier.

The NBFI has now decided to go big in the housing sector with a view to bettering its success, by providing loans to underprivileged clients living in the remotest parts of the country.

IPDC will increase its home loan to Tk 3,500 crore in contrast to around Tk 700 crore disbursed as of March this year.

"The country has enjoyed huge improvement in food sufficiency, education and healthcare, but a well-furnished home is pretty much missing from the achievement," Islam said.

Islam, who has been serving the lender as managing director since 2012, said the majority of the lenders in Bangladesh usually offer home loans to the upper class

and are focused on two mega cities Dhaka and Chattogram.

As a result, people who belong to low and middle-income groups and live in other parts of the country, have to build homes by using small savings, but the construction faces hiccup because of a shortage of funds.

In most cases, they require 10 to 15 years to build their dream home, meaning waste of time and money.

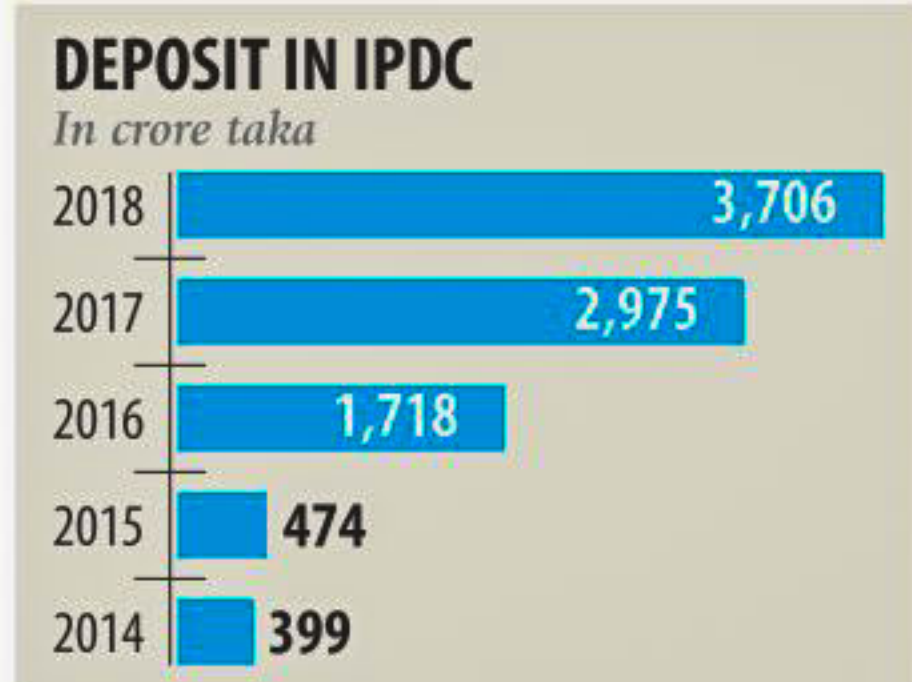
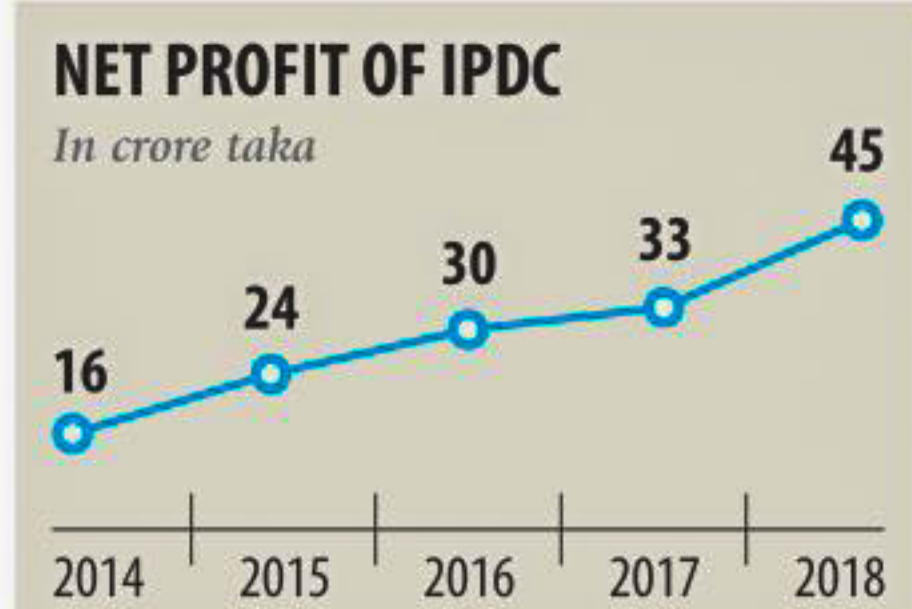
This prompted IPDC to introduce a nationwide affordable home loan product titled "Bhalo Basha" in February this year.

Clients, who earn a minimum of Tk 20,000 per month, are eligible to apply and take out a loan of Tk 50 lakh at an interest rate of 9.99 percent. The repayment tenure is a maximum 25 years.

IPDC has started to lend to people living outside of Dhaka and Chattogram. People from the lower middle-income group such as school teachers, nurses, and security guards will turn into our core clients if the roadmap is implemented.

"The initiative has received positive response and it will help expand IPDC's business," Islam said.

According to Islam, fund diversion is one of the key reasons behind the increasing default loans in the banking



Mominul Islam

sector in Bangladesh, prompting IPDC to give full efforts to prevent the tendency and to pull off the success by establishing a strong monitoring cell.

The lender is now giving special attention to developing new women entrepreneurs as only 3 percent of the SME loans usually goes to them.

Women's presence in the formal job sector is only 14 percent whereas 33 percent of the university students are female.

Last year, IPDC launched a dedicated credit product for women entrepreneurs named 'Joyi', which offers a maximum finance of Tk 50 lakh at an interest rate of 8 percent with a repayment period of one to five years.

"We want to disburse 30 percent of our total loans to women entrepreneurs by 2030. We have already taken several initiatives to materialise our plan," said Islam, who obtained an MBA from the Institute of Business Administration of Dhaka University.

IPDC is still focusing on the SME sector as it has a great role in generating new jobs and 30 percent of its total outstanding loans have so far given out to the small

and medium entrepreneurs.

Under the SME credit programme, it rolled out a digital supply chain financing product titled 'Orjon', enabling entrepreneurs to get a variety of short-term loans in the field of factoring, reverse factoring, work order and distributor financing. The product carries an interest rate of 11-14 percent.

Islam underscored the need to develop a vibrant bond market in Bangladesh as it is highly difficult for banks and non-banks to give long-term loans based on short-term deposits.

"We are working with the Bangladesh Bank and the Bangladesh Securities and Exchange Commission to this end as a lively bond market must help ease liquidity pressure on banks and NBFIs," he said.

Islam also touched upon the existing crisis in the financial sector, saying managements of banks and NBFIs should be allowed to operate freely.

"Boards should understand that banking and finance is not like other business. If proper management does not prevail, governance will face problem."

Pakistan growth to hit eight-year low

AFP, Karachi

PAKISTAN'S growth rate is set to hit an eight-year low, a government report predicted Friday, with all major indicators down as the country continues negotiating its 22nd bailout from the International Monetary Fund.

A report by the National Accounts Committee, released late Thursday, forecast growth of a mere 3.3 percent in the current fiscal year against a projected target of 6.2 percent.

"These are provisional data, not final, but Pakistan's economy is witnessing a slowdown," Muzammil Aslam, an independent economist, said.

The report came as an IMF mission to Pakistan was expected to conclude its visit Friday, where it has been holding negotiations over a long-delayed bailout to stave off a potential balance-of-payments crisis. A deal could be announced shortly, according to local media.

"We expect an IMF package similar to the one Pakistan obtained in 2008," Aslam, who heads Emerging Economic Research, said.

Then, Pakistan got a \$7.6 billion loan for five years to support its programme to stabilise and rebuild the economy.

Analysts have warned that any fresh IMF deal could come with restrictions that would hobble Prime Minister Imran Khan's grand promises to build an Islamic welfare state.

Discontent is already growing over the measures the government has taken to fend off the crisis, including devaluing the rupee by some 30 percent since January 2018, sending inflation to five-year highs.

"I had to halve my blood pressure medicine dose as we can't afford to buy expensive medicines," Shehla Samad, a 45-year housewife, told AFP in Karachi recently.

The IMF has issued an even more grim forecast for Pakistan, predicting economic growth of 2.9 percent -- a 10-year low -- for the current fiscal year.

Government officials said last month they have reached an "agreement in principle" with the IMF.

But Khan's finance minister Asad Umar, who was leading negotiations, quit after a cabinet reshuffle last month. "We need to take some difficult decisions and we need to show some patience.... Don't expect that there will be miracles and rivers of honey and milk," Umar warned after his resignation.

The negotiations are now being led by Abdul Hafeez Sheikh, a former World Bank official who was Pakistan's finance minister from 2010-2013.

The US has warned that it will be watching closely to ensure Pakistan does not use IMF money to repay debts to China, which has poured billions into the country for infrastructure projects under its Belt and Road Initiative.

Pakistan, which joined the IMF in 1950, has had 21 bailouts since then. Its most recent loan was issued in 2013, worth \$6.6 billion.

The United Arab Emirates, Pakistan's largest trading partner in the Middle East and a major investment source, recently offered \$3 billion to support the battered economy.

Islamabad also secured \$6 billion in funding from Saudi Arabia and struck a 12-month deal for a cash lifeline during Khan's visit to the kingdom in October.

Trump orders tariff hike on remaining Chinese imports

AFP, Washington

US President Donald Trump cranked up the heat in a trade battle with China on Friday, ordering a tariff hike on almost all remaining imports from the world's second-biggest economy, but Beijing said talks would continue to resolve the row.

After tweeting that two days of trade talks in Washington had been "candid and constructive," the businessman-turned-politician changed tack and followed through on a threat he had been making for months.

"The President... ordered us to begin the process of raising tariffs on essentially all remaining imports from China, which are valued at approximately \$300 billion," US Trade Representative Robert Lighthizer said in a statement.

The move came less than 24 hours after Washington increased punitive duties on \$200 billion worth of Chinese imports, raising them to 25 percent from 10 percent, days after the Trump administration accused Beijing of reneging on its commitments.

Details on the process for public notice and comment will be posted Monday, ahead of a final decision on the new tariffs, Lighthizer said. They were not expected to go into effect for several months.

China's top trade negotiator, Vice Premier Liu He, had warned earlier that Beijing "must respond" to any US tariffs.

The developments came as two days of talks to resolve the trade battle ended Friday

with no deal, but no immediate breakdown either, offering a glimmer of hope that Washington and Beijing could find a way to avert damage to the global economy.

"Over the course of the past two days, the United States and China have held candid and constructive conversations on the status of the trade relationship between both countries," Trump tweeted.

"The relationship between President Xi (Jinping) and myself remains a very strong one, and conversations into the future will continue."

The tariffs on China "may or may not be removed depending on what happens with respect to future negotiations!"

Liu told reporters the talks had been "productive" and said the two sides would meet again in Beijing at an unspecified date, but he warned that China would make no concessions on "important principles."

"Negotiations have not broken down, but rather on the contrary, this is only a normal twist in the negotiations between the two countries, it is inevitable," Liu said.

The seemingly positive messages -- coming before the announcement that Trump had ordered the latest round of tariffs -- had cheered Wall Street with shares rising after being under pressure all week.

US Treasury Secretary Steven Mnuchin and Lighthizer met for about two hours with Liu on Friday and then headed for the White House to brief Trump, who had said he was in no hurry to reach a deal, arguing the United States was negotiating from a position of strength.



Unloaded containers from Asia are seen at the main port terminal in Long Beach, California.

In Jerusalem's Old City, lantern maker lights up Ramadan

AFP, Jerusalem

AT his shop in Jerusalem's Old City, Palestinian craftsman Issam Zughair makes traditional lanterns for Muslims marking the holy month of Ramadan, battling competition from cheap Chinese imports.

Zughair's shop is decked out with lamps both large and small, some hanging from the ceiling and others displayed outside to draw the attention of passers-by during lively Ramadan evenings.

He learned the trade from his father, a carpenter who originally made lanterns out of wood.

"My father opened this shop in the 1950s -- we want to protect that heritage," Zughair said, sitting with his wife in their small home above the business.

The largest lantern in the shop is two metres tall, shaped to resemble a mosque and created specially for Ramadan.

It was made from sheet metal and glass, using a technique that is believed to date back to the Fatimid caliphate in 10th century Egypt. Zughair believes the lantern is the largest traditionally-made one in Jerusalem.

"There is no-one that rivals me in building them," he said.

The 67-year-old imports materials from Egypt and Turkey and crafts the lanterns in his Old City shop.

He can add Koranic verses, religious phrases or names of God, according to the wishes of buyers.

Lanterns play a special role during Ramadan, which began on Monday.

As Muslims fast from sunrise to sunset, nocturnal life takes on added significance. Traditionally, lanterns light the way for religious events.

Najeh Bkerat, from the Al-Aqsa Academy for Science and Heritage in Jerusalem, said they are a symbol of Islamic culture and heritage, especially during the fasting month.

"People carry them as an expression of the light, the goodness and the joy of Ramadan," he said.

Zughair said he starts to receive requests for personalised lamps a month before Ramadan.

Clients are from Jerusalem and the Israeli-occupied West Bank as well as Arabs from Israel itself, the majority of whom identify as Palestinian.

The lanterns sell for between 10 and 1,000 shekels (\$3 to \$280), depending on their size and the intricacy of their design.

But Zughair said he has seen a major slump in demand for the more ornate models since the outbreak of the second Palestinian uprising, or intifada, in 2000.

Israel began constructing a wall in 2002,



A Palestinian craftsman helps an elderly man to transport a large Ramadan lantern in his shop in the old city of Jerusalem.

cutting off Jerusalem from much of the West Bank.

Israeli authorities said it was necessary to curb Palestinian militant attacks, but critics labelled it as collective punishment and a land grab.

"Before the intifada, all of Palestine used to come to buy from me, but today I have lost 70 percent of my customers as a result," Zughair said.

The purchasing power of Palestinian residents of east Jerusalem has declined by 30 percent since 2000, said Ziyad Hamouri from the Jerusalem Centre for Social and Economic Rights, citing the wall as a key barrier to trade. Zughair also faces another threat -- cheap Chinese knock-offs.

"I don't have any competitors in the market except China," he said.

In a shop selling household appliances inside a gate of the walled Old City, Hamzeh Takish displayed a selection of small Chinese-made plastic lanterns, some of which play popular Arabic songs.

Their prices start from just 15 shekels (\$4).

"I don't sell the traditional lanterns, people here are looking for new -- every year they introduce new designs," he said.

Alaa Wael, 27, was buying six Ramadan lanterns, two for his home and the rest for relatives.

"They only cost 10 shekels, the type doesn't matter to me," he said.

"What is important is that it works and adds a Ramadan atmosphere."

Ramadan in Jerusalem is not limited to lanterns.

The labyrinthine streets of the Old City are festooned with lights and decorations for the whole month.

Four committees, representing different neighbourhoods including the Christian quarter, compete to have the most eye-catching displays as tens of thousands of Muslims flock to Al-Aqsa mosque for prayer.

The committees provide food to the needy throughout the month.

One put up a 12-metre iron and nylon Ramadan lantern, with families gathering to watch.

"We start working a month before Ramadan," said Ammar Sidr from the Bab Hata neighbourhood committee.

"We're experienced in decorating and coordinating colours and adding some personalised touches."