**ASIAN MARKETS** 

**0.10%** 

\$58.64

**TOKYO** 

**0.06%** 



DHAKA MONDAY AUGUST 26, 2019, BHADRA 11, 1426 BS starbusiness@thedailystar.net

# No more handouts for state banks

COMMODITIES

Gold T

\$1,508.60

Finance minister says after meeting the lenders' chairmen and MDs

STAR BUSINESS REPORT

**STOCKS** 

**V** 0.25%

DSEX

CSCX

**V** 0.37%

...... Finance Minister AHM Mustafa Kamal yesterday trumpeted that state banks would no longer be handed taxpayers' money to meet their capital shortfall, in yet another sign from the government of its intent to stop pampering the errant lenders.



**AHM Mustafa Kamal** 

"That is a thing of the past," Kamal said after a meeting with the chairmen and managing directors of public bank at the planning ministry.

From now onwards, banks will not be recapitalised; they will have to sustain themselves.



The proclamation comes on the heels of Kamal's move to not give a single penny to state banks last fiscal year despite an allocation of Tk 1,500 crore in the budget for the purpose.

No fund has been allocated for banks' recapitalisation in this fiscal year's budget

Between fiscal years 2009-10 and 2017-18 the government had injected a total Tk 16,016 crore of taxpayers' money into the state-run banks -- without any tangible improvement in their governance and lending practices to show for. The aim of the state-run commercial

banks is to provide funds to the government from their profits and the government will spend the money for welfare activities. But the banks were given money to meet

their capital shortfall without any stringent performance improvement conditions, which defeats the purpose of their existence. Kamal also reiterated the government's

decision to fix the interest rates for lending and savings at 9 percent and 6 percent respectively -- breaking the market mechanism and rendering the monetary policy toothless.

Asked whether the government can fix the interest rates in the market economy, the minister said: "The government will

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to bring welfare for the people. Economics is a social science." He further said the central bank will issue a

do whatever is needed

notice soon demanding the single digit interest rates. Kamal also touched

upon the issue of default loans.



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# United Air stocks rise on comeback rumours

**CURRENCIES** 

**BUY TK** 83.50

Friday closings

SHANGHAI

**V** 0.29%

STAR BUSINESS REPORT

SINGAPORE

**0.35%** 

United Airways was the most sought-after share on the Dhaka Stock Exchange yesterday amid rumours that the private carrier is planning to make a comeback after a lull of more than three years.

The junk stock rose Tk 2.20, up 10 percent from the previous trading day, topping the gainers' list on the day. Some 36.43 lakh shares of the out of service airline amounting to Tk 80.16 lakh changed hands thanks to the higher demand. There was hardly any seller of the stocks.

and flight operations have remained suspended since 2016 due to unavailability of aircraft, among other reasons. Another junk stock, Imam Button, also made it to the

United Airways began its commercial operation in 2007

gainers' list with 6.30 percent increase.

**READ MORE ON B3** 



### Singaporeans seek ways to invest more

STAR BUSINESS REPORT

Bangladesh's consistent economic growth for over a decade has encouraged Singaporean businesspeople to explore investment opportunities in the country.

Federation (SBF), informed of this interest at a meeting with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at InterContinental Dhaka yesterday.

delegation of the nation's apex trade body and scheduled to stay till August 30, he said they sought to explore the opportunities and be informed of aspects such as tax, labour issues and financial system.

in environment, urbanisation, engineering and machinery, he said.

companies are showing interest in South Asia," Wei-Chieh He said Bangladesh's large consumer base, of over 160

business process outsourcing and education could be their target areas. Though a small island country with per capita income

manufacturing industries or farmland. However, top multinational companies and many

countries prefer the East Asian country when pouring billions of dollars in export and import business.

for its most openness in trade, for it being one of the least corrupt countries and for having one of most favourable logistic facilities globally.

**READ MORE ON B3** 

# Default loans hit the brakes

STAR BUSINESS REPORT

Default loans soared just Tk 1,551 crore in the second quarter of the year -- in contrast to a record Tk 16,692 crore in the previous quarter -- in the most heartening development for the banking sector battling a runaway trend in bad loans.

At the end of June, the banking sector's total default loans stood at Tk 112,425 crore, up 1.40 percent from the preceding three months, according to data from the with a grace period of one year, which is Bangladesh Bank.

When AHM Mustafa Kamal took charge of the finance ministry in January, he had announced that default loans would not increase by a single taka.

In the first six months of his tenure as the finance minister, default loans increased Tk 18,513 crore.

The reason for the increase, Kamal says, was many borrowers stopped paying their instalments on time in the hope of availing the relaxed rescheduling facilities he had announced earlier with a view to showing a lower default loan figure.

Earlier on May 16, the Bangladesh Bank unveiled a special rescheduling policy, under which defaulters will be allowed to reschedule their classified loans by providing only 2 percent down payment instead of existing 10-50 percent.

A maximum of 9 percent interest rate will be charged on the rescheduled loans, which is much lower than the existing interest rate of 12-16 percent.

The tenure for repayment is 10 years much longer than the existing duration for any loan at present.

Based on banks' relationship with clients, the accrued interest on the default loan can be waived, leaving the defaulters to only pay the principle amount and the new 9 percent interest rate.

This came on the heels of the BB's moves to ease the loan classification rules giving borrowers more time to pay their instalments and relax loan write-off policy.

But the latest data suggests the moves backfired.

READ MORE ON B3

Soo Wei-Chieh, executive director of Singapore Business

Coming to Dhaka on Saturday leading a 15-member

Some of the companies have shown interest in investing

"Bangladesh is a promising market for us. Singaporean told the dialogue organised by the FBCCI and SBF.

million, was lucrative and sectors like financial services, IT,

of over S\$90,000, Singapore does not have a lot of

They beelined over the years to set up headquarters there

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