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## Industrial NPLs rise for habitual defaulters

**AKM ZAMIR UDDIN**

Non-performing loans (NPLs) in the industrial sector soared 48.58 percent at the end of last fiscal year as habitual defaulters continued to show reluctance towards repayment of their rescheduled loans.

The country's business sector also faced sluggishness last fiscal year, putting an adverse impact on industrial default loans, bankers said.

At the end of June, industrial default loans stood at Tk 57,201 crore, up from Tk 38,499 crore a year earlier, according to data from the Bangladesh Bank.

Banks had rescheduled a large amount of default loans in recent years, but they failed to get the desired outcome from the rescheduling programme, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a forum of private banks' managing directors.

A good amount of rescheduled loans turned into default in fiscal 2018-19 as habitual defaulters did not use the rescheduling facility accurately, he said.

Banks have rescheduled a record amount of default loans last year, the BB data showed.

In 2018, default loans amounting to Tk 23,210 crore were rescheduled, up 22 percent from a year earlier.

In some cases, some defaulters came to a halt in the second half of last fiscal year after getting information that the central bank would declare a special package to reschedule their default loans in a relaxed manner.

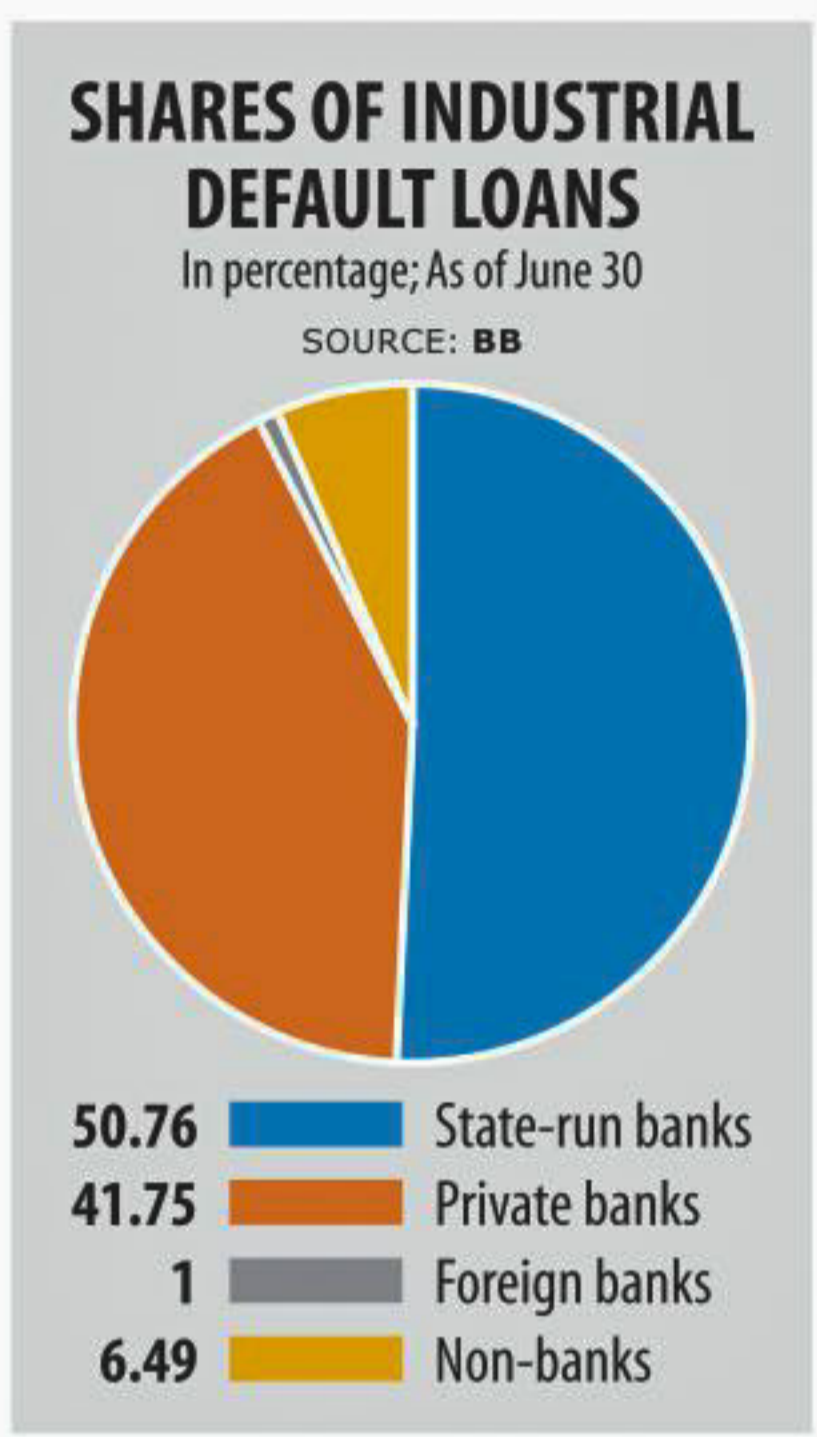
As per the latest policy, the defaulters will be allowed to reschedule their classified loans by making a down payment of only 2 percent instead of the existing 10-50 percent.

A maximum 9 percent interest will be charged on the rescheduled loans while the existing interest rate is 12-16 percent, according to a central bank notice issued on May 16.

This had discouraged the borrowers from repaying their installments on time, which pushed up the default loans in the industrial sector, said Rahman, also the managing director of Dhaka Bank.

Besides, the industrial sector has been facing sluggishness in recent years, which has also impacted the business community's capacity to repay loans, he said.

Private sector credit growth declined rapidly



during the period, in a development that showed the industrial sector has failed to perform well, Rahman said.

Credit growth stood at 10.68 percent in August, down from 14.94 percent from a year earlier.

Of the industrial default loans, term loans accounted for Tk 40,045 crore, up 51 percent year-on-year.

Working capital had Tk 17,156 crore as defaults at the end of June, up 43.20 percent a year earlier.

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## Unitholders apply to change LR Global as asset manager

**STAR BUSINESS REPORT**

A number of institutional investors have applied to Bangladesh General Insurance Company, the trustee of DBH First Mutual Fund and Green Delta Mutual Fund, to change the asset manager of the two funds.

LR Global Bangladesh is the asset manager of the two closed-end mutual funds.

Brac, Brac Bank, DBH Finance, United Commercial Bank, VIPB Asset Management, IDLC Investments, Delta Life Insurance, Edge Asset Management, Asian Tiger Capital Partners Asset Management, and some other investors wrote to the trustee to replace the fund manager by appointing IDLC Asset Management. They together hold 72.5 percent units of DBH First Mutual Fund.

Shahidul Islam, CEO of VIPB Asset Management, said he is not comfortable with the recent investment decision of the current asset manager.

Recently, LRG Bangladesh decided to invest a handsome amount in an online news portal from the funds' money, he said.

"Moreover, IDLC Asset Management is a more professionally-managed firm, so, I want to replace the asset manager exercising securities rules."

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## Unutilised BO accounts soaring on ailing stocks

**AHSAN HABIB**

Stock investors are becoming inactive due to ailing stocks and lack of confidence, so the number of unutilised and zero balance beneficiary owners' (BO) accounts is soaring.

Some 4.96 lakh BO account holders, or 17.66 percent, have not utilised their accounts to trade shares last fiscal year, according to the Central Depository Bangladesh Limited (CDBL).

The number was 4.24 lakh, or 15.33 percent, and 4.09 lakh, or 13.75 percent, in the previous years.

Furthermore, the number of zero balance BO accounts also rose. For instance, some 10.40 lakh accounts, or 37.19 percent, have no shares at all out of a total of 28 lakh BO accounts as on June 30.

The number of zero balance BO accounts was 10.30 lakh, or 37 percent, the previous year.

As the stock market is dull and prone to manipulation, wealthy people are not coming to the market, said Abu Ahmed, a stock market analyst. "If the market is not lucrative then why will they be attracted?"

A stock broker said the number of share investors is low in the market. Moreover, many of the investors leave the market every year.

Investors became inactive in the last three years due to huge loss on their portfolio and dull index.

DSEX, the benchmark index of the DSE, is still below 4,700 points and the turnover is hovering between Tk 330 crore and Tk 350 crore on an average.

Another stock broker said most of the zero balance and unused BO accounts were opened for applying to get shares through the initial public offerings (IPO) only.

Almost all the stock investors maintain

### BY THE NUMBERS

Total BO accounts: **28.09** lakh (As of June 30)

Accounts with zero balance: **10.40** lakh

Unutilised accounts: **4.96** lakh

Bangladesh's **0.78%** people invest in stocks

**2%** of Indian population has stock exposure



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## Bank loans still elude small women entrepreneurs: study

**STAR BUSINESS REPORT**

Women entrepreneurs, particularly small ones, continue to remain marginalised when it comes to getting loans from the financial sector despite various initiatives taken over the past decade to facilitate the businesses run by women.

A study presented at a seminar in Dhaka yesterday showed that women-owned small enterprises received only 3 percent of the total small enterprise loans provided by banks and financial institutions between 2016 and 2018.

Banks and financial institutions lent Tk 56,116 crore to small firms in 2016.

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Bangladesh Bank's Deputy Governor SM Moniruzzaman, fifth from right, attends a seminar on women entrepreneurs' financial and managerial capacity, at the BIBM office in Dhaka yesterday.

## RMG makers want to pay reduced source tax from Jul 1

**STAR BUSINESS REPORT**

Garment makers have demanded a reduction in source tax on their export earnings to 0.25 percent on a retrospective effect from July 1 this year.

The plea was made after the National Board of Revenue (NBR) on October 21 slashed the source tax on exports to 0.25 percent from 1 percent to help increase the competitiveness of Bangladeshi products in the international market.

In a letter to the NBR on October 21, Bangladesh Garment Manufacturers & Exporters Association (BGMEA) President Rubana Huq said the retrospective effect has not been given in the latest notification regarding reduction of source tax on export receipts.

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## Invest in roads under PPP models

**Expert urges foreign investors**

**STAR BUSINESS REPORT**

Foreign investors could explore business opportunities in Bangladesh's road infrastructure under public private partnership as the country's 73 percent travel takes place via roads, which are not up to the mark, said a speaker yesterday.

"Huge investment is required to upgrade roads to international standards," said ABM Sertajur Rahman, executive engineer of the Roads and Highways Department.

Such investment opportunities in Bangladesh could be explored by businesspeople to elevate trade relations between countries of South East Asian Cooperation (Seaco) Foundation, added a top official of Bangladesh Investment Development Authority (Bida).

There is a good opportunity for investment in IT, tourism, renewable energy, agriculture and shipbuilding sectors, said Md Serazul Islam, Bida executive chairman.

"The investors of Seaco have a good opportunity for making big investments as Bangladesh is providing an investment-friendly environment and investment protection, including different incentives," he said.

The suggestions came at a business-to-business session on the concluding day of a two-day roundtable on "Regional collaboration: transforming economies" organised by World Islamic Economic Forum (Wief) Foundation and Seaco Foundation in Radisson Blu Dhaka Water Garden.

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