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# Loan write-off policy to be eased again

The latest relaxation comes after nine months

AKM ZAMIR UDDIN

The central bank is set to relax the loan write-off policy once again in a space of nine months, bowing down to pressures from an influential quarter.

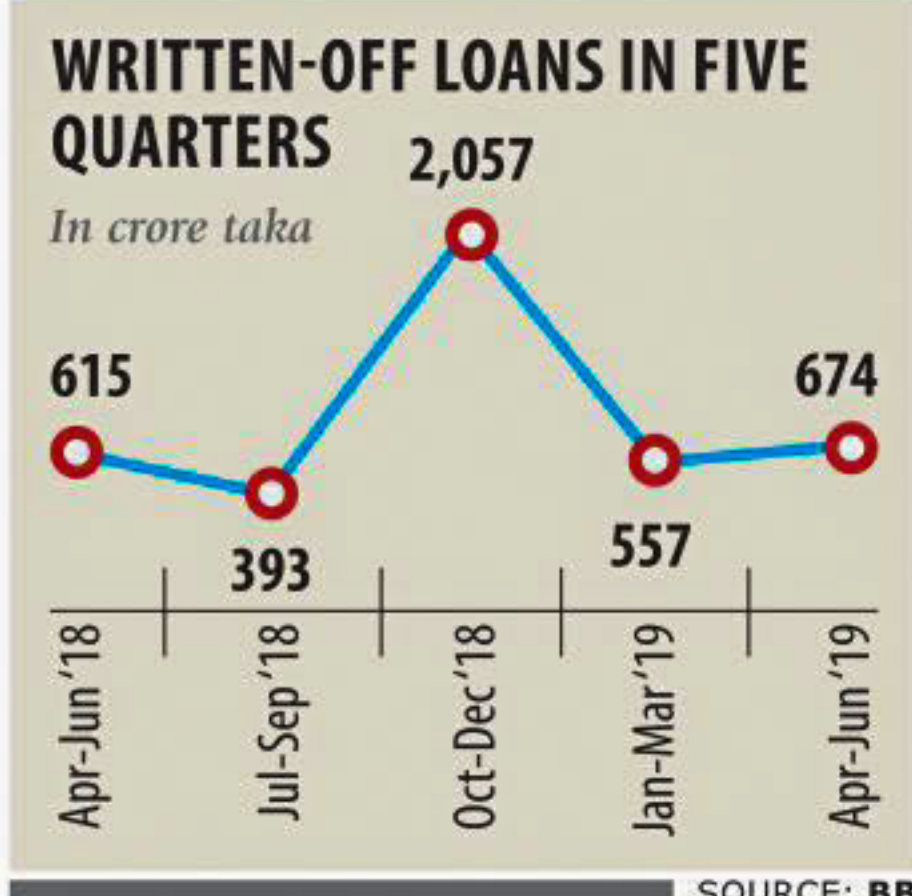
This time, banks are likely to be allowed to write off defaulted loans that have been hovering in the bad category for one year from their balance sheet, down from three years previously, said officials of the Bangladesh Bank.

On February 6, banks were allowed to write off defaulted loans that were marked bad for three years in a row instead of earlier five years, as the central bank wanted to show lower amounts of sour loans.

As of June, total defaulted loans in the banking sector stood at Tk 112,425 crore, up 20 percent from six months earlier, according to data from the BB.

The latest central bank move comes after the Association of Bankers, Bangladesh (ABB), a platform of private banks' managing directors, sent a letter to the BB in the last week of August with a request for further easing of loan write off policy.

But banking sector insiders said the ABB was forced to send the proposal after getting instructions from influential sponsors of a



handful of banks.

Banks should be allowed to write off their defaulted loans that have been hovering in the bad category for one year, Syed Mahbubur Rahman, chairman of the ABB, told The Daily Star.

"The central bank should consider the issue if banks are able to manage 100 percent provision against bad debt and file case with the court."

Decreasing the term to one year from three years will help banks avoid the existing legal tangle while recovering the defaulted loans, said Rahman, also the managing director of Dhaka Bank.

A representative team of the ABB will meet with BB Governor Fazle Kabir today to discuss the issue.

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# Banking commission soon: Kamal

STAR BUSINESS REPORT

The government has agreed to form a banking commission to review the health of the sector and take necessary reform measures, finally heeding to a long demand of various quarters, think-tanks and experts, said Finance Minister AHM Mustafa Kamal yesterday.

"We will form a commission within a short time under the leadership of the Bangladesh Bank," he told reporters in response to a query, after a meeting of the cabinet committee on purchase at the secretariat.

The minister also admitted that the banking, stock market and revenue sectors require massive reforms.

On the loan rescheduling facility, Kamal said the government did not want to send the defaulters to jail, so it has given a chance to them to have their loans rescheduled by paying 2 percent down payment.

"Alongside, the government is trying to recover bad loans and reduce non-performing loans."

The government is also going to amend the Bank Company Act in a bid to facilitate merger and reconstruction of weak banks, the minister said, without elaborating.

Bangladesh's banking sector has been deteriorating for the last several years owing to higher NPLs and corruption. NPL averaged 10.69 percent of the total outstanding loans although it is more than 25 percent in case of state-run banks.

The actual size of bad loans is, however, more than double the officially recognised figure, according to a recent report of the International Monetary Fund -- a damning evidence of the fragile state of the banking sector.



AHM Mustafa Kamal

# USAID study identifies 16 alternatives to RMG



COLLECTED

Md Sirazul Islam, executive chairman of Bangladesh Investment Development Authority, speaks at the launch of USAID's comprehensive private sector assessment at the AmCham office in Dhaka on Tuesday.

STAR BUSINESS REPORT

Bangladesh has 16 emerging sectors, which could contribute a lot to the country's economic development, beyond that facilitated by the readymade garment (RMG) sector, a latest assessment funded by the USAID identified.

Currently Bangladesh's economy is overdependent on a single sector, the RMG, which typically accounts for over 84 percent of the national exports and nearly 20 percent of the national GDP.

The sector does so by creating jobs for millions of workers, particularly for unskilled and semi-skilled rural women. As a result, any international and external shocks to the sector may hamper the domestic economic growth.

So, the emerging sectors will act as alternative support in case of economic shocks by creating jobs for millions and offering a major supply chain for domestic and foreign markets, the study found.

The Comprehensive Private Sector Assessment was carried out by a research team of private Bangladeshi entity Inspira Advocacy and Consultancy Limited.

The emerging sectors are agri-business, automotive/truck/ bus assembly, ceramics, entrepreneurship, healthcare, ICT and outsourcing, leather and leather goods, light engineering, medical equipment, pharmaceuticals, plastic, renewable energy and energy efficient technology, shipbuilding, shrimp and fish, telecommunications and tourism.

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# Only 23pc firms provide childcare facilities: IFC

STAR BUSINESS REPORT

Some 77 percent of companies in Bangladesh do not have any childcare options for their employees, found a recent study of the International Finance Corporation (IFC) -- a situation that potentially prevents women from participating equally in the labour force.

The IFC, a member of the World Bank Group, surveyed 306 private sector companies in Bangladesh, ranging from non-profits to manufacturing, financial service to information technology between May and July.

Only 23 percent offer childcare options to their employees.

Some 16 percent plan to introduce childcare facilities, while 61 percent have no plan yet, said the report "Tackling childcare: The business benefits and challenges of employer-supported childcare in Bangladesh".

Employers that provide childcare attract and retain quality employees, most pointedly women employees, said Wendy Werner, IFC country manager for Bangladesh, Bhutan and Nepal, at the report's launch at the Amari Dhaka.

"Employer-sponsored childcare and family-friendly workplace policies can benefit families, businesses, and the economy," she added.

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# Low tax-GDP ratio bar to universal pension scheme

Experts say at CPD-Oxfam dialogue

STAR BUSINESS DESK

Bangladesh's very low tax-GDP ratio of about 10 percent is a key constraint in introducing a universal pension scheme for citizens above 65 years of age, excluding holders of government pension and private sector provident fund and gratuity.

Without visible improvement in revenue collection, the scheme's introduction will be challenging and result in lower allocation for other competing expenditures.

The apprehensions came at a dialogue on "Introducing 'Universal Pension Scheme' in Bangladesh: In Search of a Framework", organised by the Centre for Policy Dialogue (CPD) and Oxfam in Bangladesh at the Gardenia hall in Dhaka yesterday.

Prof Mustafizur Rahman, distinguished fellow of the CPD, gave a keynote presentation.

In it, he cited that Bangladesh had a predominantly informal



STAR

Planning Minister MA Mannan addresses a dialogue on "Introducing 'Universal Pension Scheme' in Bangladesh: In Search of a Framework", organised by the Centre for Policy Dialogue and Oxfam in Bangladesh at the Gardenia hall in Dhaka yesterday.

labour market with workers of low income, making them unwilling or unable to contribute.

With their employers having no formal pension plans, bringing

forth a contributory pension scheme would result in high administrative and transaction costs and make it difficult to take advantage of economies of scale,

he said.

Financial inclusion poses another hurdle with nearly 50 percent of the population still unbanked, only 41 percent having

access to financial institutions and almost half of the elderly population out of coverage of the banking system, said Rahman.

A critical challenge is weak administrative and management capacities, with neither public nor private sector schemes active in the capital market while the banking sector not adequately prepared to provide secure services needed for operationalisation of the scheme, he added.

The number of people over 60 years of age is projected to rise from about 12.6 million, which is about 8 percent of the population, in 2017 to 20.7 million, which is around 11 percent of the population, by 2031, he said.

In this context, Rahman suggested examples of financing frameworks.

One was that a benefit of Tk 1,853 per month, equivalent to a lower poverty line, in fiscal 2016-17 would have annually cost 0.5 to 0.7 percent of the GDP and 4.5 to 7.2 percent of revenue.

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# India to set up two land customs stations

OUR CORRESPONDENT, Sylhet

India is planning to establish two new land customs stations to expedite two-way trade with Bangladesh, said Conrad Sangma, chief minister of the Indian state of Meghalaya.

"We will develop the infrastructure of the Dawki land custom station. The government is planning to establish two new land customs stations with Bangladesh to expand export-import."

He made the remarks while attending a discussion between a delegation of the Meghalaya state of India and the Sylhet Chamber of Commerce and Industry (SCCI) at the chamber building in the divisional city on Tuesday.

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# Join hands to cut water, energy consumption

Analysts say at a seminar on sustainable denim production

STAR BUSINESS REPORT

The government and retailers should shoulder some responsibility towards reducing water consumption in garment manufacturing to ensure sustainable production.

Every stakeholder should take responsibility for reduction of water consumption in production cycles, said Ziaur Rahman, country manager of Swedish retail giant H&M for Bangladesh, Pakistan and Ethiopia.

He spoke at a seminar on sustainable denim production held at the International Convention City, Bashundhara in Dhaka.

H&M is the not part of the pollution in Bangladesh as garment entrepreneurship started here much earlier. If the cost of water can be justified in production of denim, the customers will also pay for this, he said.

"We have a lot of room to do

something to improve the situation." Rahman also said many small retailers come here in Bangladesh and place work orders and really do not care about the environment and sustainability.

Shwapna Bhowmick, country

manager of Marks & Spencer, said of the total sourcing of denim products by her company 95 percent is purchased from Bangladesh, which indicates the country's strength in this field.

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Analysts and industry people attend a seminar on sustainable denim production at the International Convention City Bashundhara in Dhaka yesterday.

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