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Loan rescheduling hits new high

AKM ZAMIR UDDIN

Banks rescheduled a record amount of defaulted loans in the first nine months of 2019 as part of their efforts to contain bad debt and manage hefty profit, albeit artificially.



Between January and September, non-performing loans (NPLs) amounting to Tk 31,175 crore were regularised, the highest on record even for a single year.

The previous record was set in 2018, when banks rescheduled Tk 23,210 crore.

But the record amount of loan rescheduling has failed to rein in the upward trend of defaulted loans for want of corporate governance in the banking sector, analysts said.

their NPLs rescheduled under the relaxed policy. The last deadline was October 20.

As of September, cumulative defaulted loans stood at Tk 116,288 crore, up 23.82 percent from December last year.

Under the policy, defaulters got the opportunity to regularise their loans for 10 years, including one year's grace period, at 9 percent interest rate, just by making 2 percent down payment.

The rescheduling of loans will escalate in the October-December quarter because of the relaxed policy offered by the central bank, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a forum of private banks' managing directors.

Rescheduling is a global practice and helps businesses when they are in dire straits, Rahman said.

As per a High Court instruction, the central bank had earlier extended the deadline for defaulters several times to have

"But, many of our lenders are using the tool to mitigate their problems on a temporary basis. As a result, a good amount of rescheduled loans turn into defaulted ones frequently," said Rahman, also the managing director of Mutual Trust Bank.

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He said rescheduling usually goes up in keeping with the rising trend of NPLs.

"So, we should check NPLs on a mandatory basis to contain the stressed assets."

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Telecom tussle erodes trust



MUHAMMAD ZAHIDUL ISLAM

The outgoing 2019 would go down as one of the most challenging years for Bangladesh's telecom industry, weighed down by the ongoing tussle between the regulator and two operators as well as slump in growth in mobile and internet connections.

Grameenphone and Tk 867.24 crore from Robi.

A change in tax rates involving corporate tax as well as SIM replacement tax also creates a huge burden for the industry and all the telecom operators are bleeding consequently.

"2019 can be considered as a very disappointing and frustrating year for the telecom sector. A series of industry issues continued to rattle

Once a much-hyped breakthrough for internet communication, WiMAX became a thing of the past in the country.

In 2019, mobile operators added 78.43 lakh new connections, down from 1.19 crore in 2018 and 1.87 crore in 2017, data from the Bangladesh Telecommunication Regulatory Commission (BTRC) showed.

He said local assemblers are now dominating the domestic smartphone market and this is the main achievement in 2019.

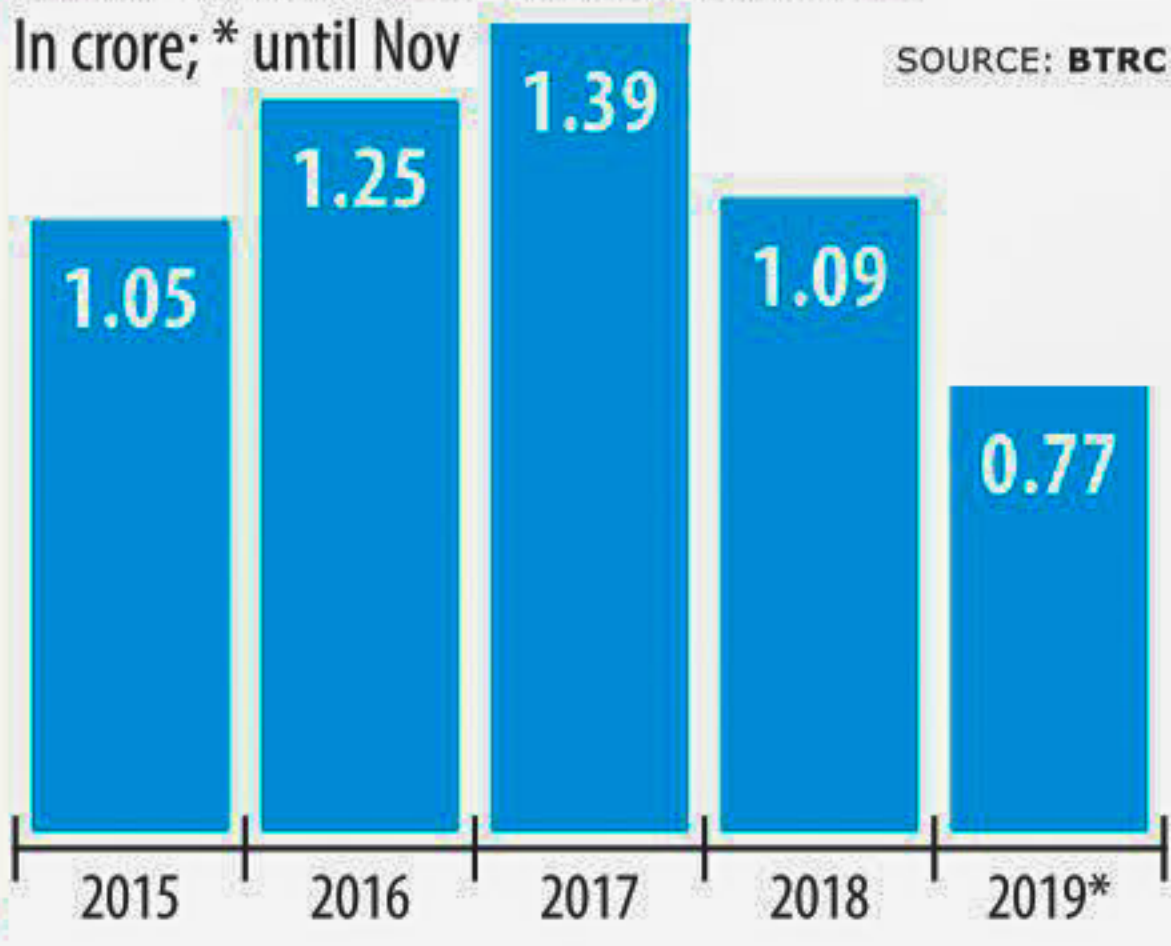
In another blow for the industry, at least two operators could not make as much investment in the country as they had initially planned.

Robi, the second-largest mobile phone operator, had planned to put in \$248 million in the year in the

MAJOR EVENTS: TELECOM AND ICT

- ▶ BTRC claimed Tk 13,446cr from GP, Robi following audits
- ▶ Telenor issued legal notice to Bangladesh's president seeking arbitration
- ▶ GP was declared an SMP operator
- ▶ Work started on preparing 5G guidelines
- ▶ Telco's minimum corporate tax raised by 2.5 times
- ▶ Tax on import of smartphones hiked to 57pc
- ▶ ICT division opened Tier 4 national data centre
- ▶ BTRC found 2.94 lakh SIMs were being used by Rohingya illegally

New internet connections



the industry and a few of them were unprecedented," said SM Farhad, secretary general of the Association of Mobile Telecom Operators of Bangladesh.

He said the industry's health became even pale and vulnerable though it added some new connections to the network.

In the first 11 months, the industry added only 77.11 lakh new internet connections through mobile internet and broadband, way lower than the 1.09 crore added a year ago. Currently, the number of active internet users stand at 9.91

At present, the number of mobile phone connections stands at 16.48 crore.

Mesbah Uddin, joint secretary general of the Bangladesh Mobile Phone Importers Association, said they received a favourable tax policy for local handset makers and the first three quarters were fantastic for them.

"The fourth quarter has not been very good," said Mesbah, also the chief marketing officer of Fair Electronics, which assembles Samsung-branded handsets in its plant in Narsingdi.

form of foreign direct investment, but it had to be content putting in \$98 million.

Similarly, Grameenphone, the largest mobile phone operator, had intended to invest Tk 1,550 crore in 2019 but could only able to spend about two-thirds of the amount.

One of the positive developments of the year is that the BTRC has started the process to formulate the guideline on fifth-generation (5G) services and plans to roll out the superfast service by 2021.

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Double trouble for RMG

Small factories closing at a time of falling shipments

REFAVET ULLAH MIRDHA

The garment sector is facing a double whammy as more and more factories are closing at a time when apparel shipments are falling.

Between July and November, garment exports declined 7.74 percent year-on-year to \$13.08 billion, which was 13.63 percent below the target set for the period, according to data from the Export Promotion Bureau (EPB).

In the last 11 months to November, 61 factories were shut down, rendering 31,600 workers jobless, according to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the trade body for apparel makers and exporters.

On the other hand, Bangladesh's main competitor Vietnam reaped nearly \$27.4 billion from exporting garments and textiles in the first 10 months of this year, posting a year-on-year rise of 8.7 percent, according to the country's General Statistics Office on Tuesday.

RESD MORE ON B3

BY THE NUMBERS

In Jan-Nov, 61 factories were shut down

Some 31,600 workers lost jobs

Exports fell 7.74pc year-on-year to \$13b in Jul-Nov

Shipment was 13.63pc below the target of \$15.15b set for Jul-Nov

HOUSING FAIR

Lenders join realtors for winter sales



JAGARAN CHAKMA

More than a dozen lenders are taking part in a winter edition of REHAB Fair that kicked off in the capital on Tuesday, eyeing to woo home loan borrowers through different offers.

Most of the nine banks and four non-bank financial institutions (NBFIs) are offering interest rates of 10 to 11 percent, saying that they see bright prospects of home loans due to the products posing little to no risk.

Customers dreaming of becoming owners of flats or plots find the presence of the lenders at the housing fair to be very convenient.

The Real Estate and Housing Association of Bangladesh (REHAB) is organising the five-day fair at Bangabandhu International Conference Center in the city's Sher-e-Bangla Nagar area.

Talking to The Daily Star, Jafer Syed Ahmed, senior business development officer at Standard Chartered Bank (SCB), said the bank provides home loans in five categories ranging from the need to purchase flats to carrying out renovations.

According to him, the banks are very flexible when it comes to providing home

loans to customers as it poses little to no risk and instances of those being defaulted were very rare.

"Our bank gives priority to doctors and those who have a salary account with the SCB for providing home loans," he said, adding, "Customers can avail up to 85 percent of the total value of the apartment as loan."

Ahmed said physicians and salary account holders would get loans at a 9.99 percent interest rate while other customers at 11 percent. There is an additional loan processing fee of 0.50 percent.

The bank provides a maximum of Tk 2 crore and the repayment tenure ranges from three to 25 years, he said.

Any Bangladeshi having a stable income, such as individuals getting salaries, businesspeople and professionals including engineers, bankers, lawyers and service holders, are eligible for the home loans, he said.

IPDC Finance is offering 85 percent of the value of properties or flats alongside the registration fee as loan. People within 65 years of age can apply for the loans, which, for residential flats, come with a 20-year tenure.

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Meera Agro to kick off DSE's SME platform

Seed producer to raise Tk 5cr

AHSAN HABIB

Meera Agro Inputs, a seed producer, is set to raise Tk 5 crore from the stock market within the next three months, becoming the first company to get listed on the Dhaka Stock Exchange's newly launched small cap board.

The small-cap board, called the DSE SME, was rolled out on April 30 with a view to facilitating small- and medium-sized enterprises to raise funds, which were shut out from the process before that for their lower turnover.

"I want to keep my company away from bank interest rates, but I need funds to expand too. So, I decided to come to the stock market," said Syed Abdullah-Al Mamun, managing director of Meera Agro.

The company -- which has been involved in variety development, genetic improvements, production, processing, marketing and breeding of field crop and vegetable seeds since 2009 -- has no bank loans, he said.

Meera Agro would now issue 50 lakh ordinary shares to raise funds for land development, modernisation and expansion of existing projects, and meeting working capital demand.

A processing plant will be set up with the funds to preserve the seeds and process them on a larger scale, according to Mamun.

Meera sells seeds of rice, maize, cauliflower, cabbage, carrot, bitter gourd, tomato, watermelon, cucumber, chilli, kohlrabi and radish.

Presently, the company is selling its products in Rangpur, Bagura, Meherpur, Dhaka, Sylhet, Chuadanga, Munshiganj, Chattogram and Cumilla.

The company's earnings per share was Tk 3.15, 2.21, 2 and 1.28 respectively in the last four fiscal years.

The overall seed market is worth more than Tk 1,000 crore now, according to the company's prospectus.

The market of quality seeds, supplied by public and private sectors, stands at 3.5 lakh tonnes now, though the amount was around one lakh tonne a decade ago.

Apart from Bangladesh Agricultural Development Corporation, more than 100 firms, including some non-governmental organisations, now sell seeds.

The AAA Finance & Investment is working as its issue manager.

Customers trying to get a better understanding of products at a five-day housing fair at Bangabandhu International Conference Center in Dhaka yesterday.

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