

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.73%	▲ 0.85%	\$1,556.00	\$64.19	▼ 0.50%	▲ 0.70%	▲ 0.21%	▲ 0.28%	BUY TK 83.95	92.20	108.83	12.02
4,440.29	8,208.99	(per ounce)	(per barrel)	41,115.38	24,031.35	3,253.93	3,060.75	SELL TK 84.95	96.00	112.63	12.63





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BUSINESS

DHAKA THURSDAY JANUARY 23, 2020, MAGH 9, 1426 BS starbusiness@thedailystar.net

Banking sector poised to derail growth momentum for Bangladesh economy

Warns IMF after its latest checkup

REJAUL KARIM BYRON

The current vulnerable state of the banking sector steeped in default loans poses the biggest danger to sustenance of Bangladesh's tremendous growth momentum, said the International Monetary Fund.

Bangladesh logged in 8.15 per cent GDP growth last fiscal year -- after three consecutive years of more than 7 per cent expansion -- and is on track to surpassing the number this year.

"The recent strong economic growth can continue only with a sound financial system that effectively allocates savings to more productive uses," said the Washington-based multilateral lender in a report after its specialist team visited Bangladesh last month.

As per latest central bank data, which is of September last year, default loans in the banking sector stood at Tk Tk 116,288 crore, which is an all-time high.

Eight state-run banks accounted for more than 50 percent of the default loans: Tk 59,622 crore.

High and increasing default loans and weak governance in the banking sector, especially in state-owned banks, remain major policy challenges, said the report, which was handed in to the finance ministry and the Bangladesh Bank.

To address them, the main priorities are



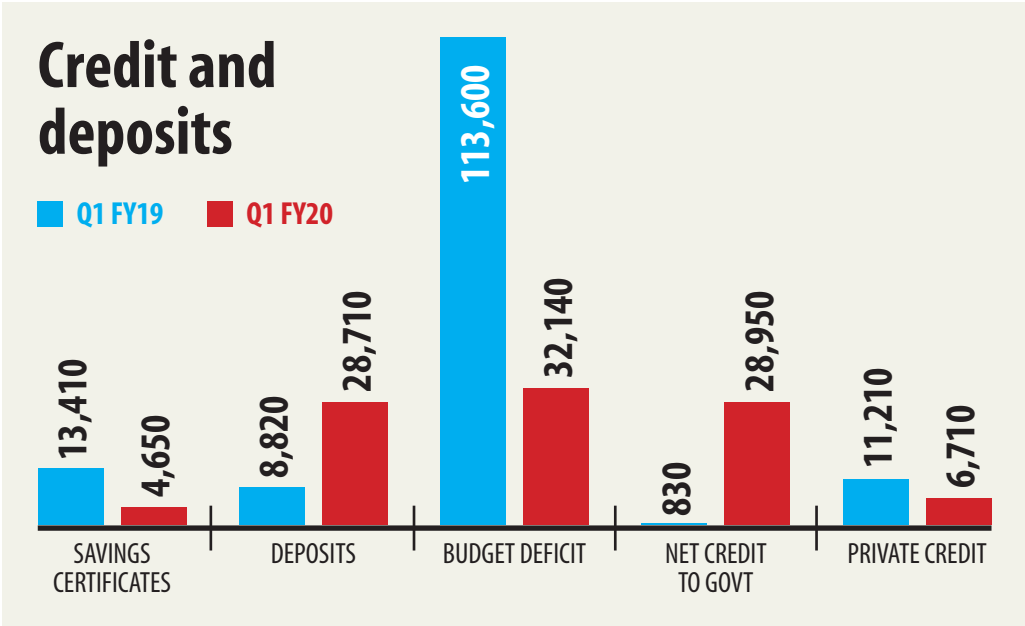
DISPLAY CENTRE

Nasir Trade Centre
(2nd Floor)

89 Bir Uttam C.R. Dutta Road
(Sonargaon Road)

Dhaka 1205, Bangladesh

Hotline: 01713 656565



a strict enforcement of existing legal and regulatory requirements, an increase banking sector capital and a reform of the state-owned banks, with a clear separation of commercial and development functions.

The IMF mission though welcomed ongoing efforts to strengthen the legal system to address banking sector weakness, which should be completed in a timely manner.

The mission is sceptical about the success of the central bank's most recent loan rescheduling package.

It allowed defaulters to reschedule loans by providing 2 per cent down payment.

The move will lower the default

ratio initially.

However, without additional measures, there are significant risks that the rescheduled loans will become defaults again, it said.

The IMF mission is also opposed to the idea of forming a public asset management company to take over banks' toxic loans from them. A draft act on this has already been formed.

"Considering the current regulatory and legal environment, establishment of an asset management company poses significant fiscal risks."

The report also expressed reservations about the increase in government borrowing from the banking sector, brought on by the sharp decline in savings certificate sales and slowdown in revenue growth.

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Janata MD in the line of fire

BB probe finds his hand in AnonTex scam

STAR BUSINESS REPORT

A central bank probe body has recommended its higher-ups take punitive measure against Janata Bank Managing Director Md Abdus Salam Azad for his alleged involvement in the AnonTex Group loan scandal.

Between 2007 and 2014, the state-run bank disbursed a large amount of loans to 22 companies of AnonTex Group by breaching the banking rules and regulators -- and the probe body found direct involvement of Azad in the transgression.

The companies opened 20 accounts with the corporate branch and the rest with local office of the lender, according to an investigation carried out by the central bank inspection team.

"Azad served as a manager of the corporate branch for a good portion of the time during the mentioned years. And he gave scope to the concerns of AnnonTex Group to swindle the amount," the probe report said.

He was the manager of the branch from November 2011 to August 2013.

As of September last year, the total outstanding loans of AnonTex Group stood at Tk 5,768.52 crore -- and a major of the sum has already turned defaults.

In many of the cases, the accounts of the group were opened hurriedly and the loans

were disbursed to them just as quickly -- without following banking norms.

Azad was appointed MD of Janata Bank in December last year and he also rescheduled a good amount of default loans of the companies breaching the

regulations by way of misusing his post, said a Bangladesh Bank official requesting anonymity as he is not authorized to speak with the media.

The current MD of the state-run lender rescheduled the loans to conceal the irregularities that had transpired while he was the manager of the corporate branch.

The probe body has already submitted its recommendations to the central bank higher-ups to take further action to this end.

The central bank is now mulling over the type of action it could take against Azad.

As per the Banking Companies Act 1991, Azad may be removed from the post of MD -- given the gravity of the financial crime.

The BB, however, will have to take prior approval from the finance ministry to remove MD of a state-run bank as per the law.

The central bank earlier removed Abdul Hamid and Kazi Fakhru Islam from the post of MD of Agrani and BASIC respectively after it found their involvement in loan scams.

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Hospitable business climate the Holy Grail of BIDA

Says its executive chairman

JAGARAN CHAKMA

Climbing up the World Bank's definitive Ease of Doing Business index is Bangladesh's first priority as a solid performance in the ranking would accelerate the flow of domestic and foreign direct investment, said the chief of the Bangladesh Investment Development Authority (BIDA).

Bangladesh was ranked 168 out of 190 countries in the latest edition of the study, up from 176 last year -- in what was its biggest climb in recent years.

And yet it pales in comparison when the jump made by some of its Saarc neighbours and peer countries are considered. For instance, neighbouring India climbed 14 notches to 63, Pakistan 28 rungs to 108 and Nepal 16 spots to 94.

Not just that, Bangladesh's rank is lower than all its Saarc neighbours save for Afghanistan and competitors vying for foreign direct investment and exports like Myanmar, Ethiopia, Vietnam and Cambodia -- in a sobering reminder of the uphill task

that lies ahead for the government.

Subsequently, BIDA is on its way to implementing a dozen initiatives by this year to bring ease into the process of opening businesses.

The initiatives include reforms to company, bank and the Bangladesh Securities and Exchange Commission rules and regulations alongside tax structures.

Meanwhile, changes have already been brought in line with 22 of its 88 recommendations focusing investors, such as expediting processes for land and company registration and availing power connections.

"We will have to ensure massive reforms to our rules and regulations to take the FDI flow to the level of our expectations," said Md Sirazul Islam, executive chairman of BIDA.

Islam's comments came in an interview with The Daily Star recently at his office in the capital's Agargaon area. The former commerce secretary spoke of the bottlenecks investors were facing and the ways he was trying to turn things around.

Despite achieving the highest growth in the Asia Pacific region last fiscal year, Bangladesh was lagging behind its neighbouring competitors with regard to the flow of FDI.

In 2018, FDI amounting to \$3.6 billion flew in, which was 71.43 per cent higher than a year earlier, according to the BIDA.

"Bangladesh needs at least \$10 billion in FDI to achieve double-digit growth and the Sustainable Development Goals by 2030 and become a higher income country by 2041," Islam said.

On reforming the rules, he pointed out that it was a double-edged sword as policy stability was required to give investors peace of mind and aid their plans.

Entrepreneurs do want to invest money but they also want the associated processes to be fast and convenient. They consider long procedures to be a waste of time and money and expect hassle-free official processes and instant results.

Some bottlenecks still exist over providing rapid services to investors, such as bringing changes to laws, which was a time-consuming process.

Keeping note of these issues, BIDA was prioritising on having a unified system in place -- from where investors would be able to avail whatever they required.

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Bangladesh to export bandwidth to Nepal

MUHAMMAD ZAHIDUL ISLAM

Bangladesh Submarine Cable Company (BSCCL) is looking for new markets to export its huge unused bandwidth and the new destination is Nepal, said officials of the state-owned listed firm.

The lone submarine cable company of Bangladesh is now in talks with Nepal Telecom to export about 100 gigabits per second (Gbps) of bandwidth.

A memorandum of understanding will be signed within a short time, Mashiur Rahman, managing director of the BSCCL, told The Daily Star recently.

"Discussions have been ongoing for a long time and now we are ready to ink the deal," said Rahman.

As Bangladesh has access to the landlocked Himalayan nation only via India, BSCCL and Nepal Telecom have approached an Indian company, which has expressed willingness to establish the connection, he said.

"So, before finalising the deal

BSCCL's initiatives to export bandwidth



Owns 2,600 Gbps bandwidth, only 800 Gbps are in use
Started exporting bandwidth to Tripura in February 2016
Bandwidth exports to Tripura to be suspended within 2 weeks
Meghalaya, Assam showed interest to buy bandwidth
Had taken initiative to export bandwidth to Bhutan which was not successful
Aims to export 100 Gbps to Nepal
Price will be higher than in local market

we will also have to sign a tripartite agreement."

Nepal now buys bandwidth from Chennai in India and China to meet its daily demand for about 250 Gbps, but due to its remote location high-

speed internet cannot be ensured, Rahman said.

The BSCCL's second undersea cable lands in Kuakata of Patuakhali, which is closer to Nepal.

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Md Sirazul Islam

FDI in 2018	
China	\$834 million
The Netherlands	\$692 million
The United Kingdom	\$371 million
The United States	\$174 million
Singapore	\$171 million
Hong Kong	\$170 million
India	\$121 million
Norway	\$108 million

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