

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.42%	0.78%	\$1,782.10	\$69.88	1.31%	1.00%	0.32%	0.94%	84.85	94.96	112.55	13.09	
6,965.63	12,275.69	(per ounce)	(per barrel)	57,696.46	28,029.57	3,101.93	3,607.43	BUY TK	85.85	98.76	116.35	13.76

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DHAKA MONDAY DECEMBER 6, 2021, AGRAHAYAN 21, 1428 BS • starbusiness@thedailystar.net

## STARTUP, SME LOANS

### Govt moves to ease collateral requirements

REJAUUL KARIM BYRON and MAHMUDUL HASAN

The government is set to introduce an innovative financing model under a new law to enable small businesses and startups to show their moveable assets as collateral with a view to nurturing entrepreneurs and helping them secure loans.

A draft law for the collateral protection for movable assets has already been formulated, according to a finance ministry official. The ministry will submit it to the cabinet by June 30 next year for approval.

The law is expected to provide local technology start-ups a shot in the arm as they always find it difficult to borrow from local banks and non-bank financial institutions due to a dearth of collaterals considering the nature of their business.

AKM Fahim Mashroor, founder and chief executive officer of bdjobs.com and AkerDeal, welcomed the initiative.

"Startups have no lands, fixed-deposits, or other assets to keep them as collateral in order to get loans from banks. So, they are always deprived of the badly needed financing that is essential for growth and to move to next levels."

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## Banks: good at granting loan waiver, bad at recovering

AKM ZAMIR UDDIN

Banks in Bangladesh have been generous in waiving loans throughout the pandemic despite their poor record in recouping funds from defaulters.

They waived funds to the tune of Tk 2,383 crore between January last year and September this year, a development that will bring no good for the financial health of banks as it directly hits their income book.

Influential and delinquent borrowers chiefly manage the facility, creating a moral hazard for good clients. Waiving such a higher amount of money amid business slowdown has widened the woes of banks, economists say.

Banks waived loans amounting to Tk 2,293 crore in 2019 and Tk 1,194 crore in 2018, data from the Bangladesh Bank showed.

Salehuddin Ahmed, a former central bank governor, said that there was an unholy nexus between the owners of banks and the delinquent borrowers.

A few individuals, who hold positions in the board of director of banks, are also the owners of industries. And the directors are mainly availing the waiver by colluding with each other, he said.

"Business people holding directorship in a bank's board is rare across the world. But the practice is completely different in Bangladesh. Eventually, this weakens the corporate governance of local banks," Ahmed said.

The waiver came as the recovery from default loans has failed to keep pace with escalating delinquent assets.

Between January and September, banks retrieved Tk 4,195 crore from their non-

### LOANS WAIVED BY BANKS

Jan-Sep 2021: Tk 805cr  
2020: Tk 1,578cr  
2019: Tk 2,293cr



### ECONOMISTS' OBSERVATIONS ON LOAN WAIVER

Influential borrowers chiefly manage the opportunity  
Such practice encourages others not to repay loans  
Income of banks to decline



"There has been an unholy nexus between owners of banks and top borrowers. This helps the delinquent borrowers to manage waiver from lenders."

Salehuddin Ahmed  
former BB governor

### CASH RECOVERY FROM NPL

Jan-Sep 2021: Tk 4,195cr  
2020: Tk 5,802cr  
2019: Tk 15,466cr

performing loans, which was Tk 3,751 crore during the same period a year ago.

Banks recouped Tk 5,802 crore from their combined NPLs in 2020 in contrast to Tk 15,466 crore the year before.

Fahmida Khatun, executive director of the Centre for Policy Dialogue, says the banking sector is in a terrible situation given the upward trend of default loans.

"So, providing the waiver to the vested quarter will deteriorate the financial health

of banks." "The income of banks will decline due to the waiver. And this will even discourage good borrowers from repaying loans on time."

Khatun emphasised that the moral hazard would push the NPLs higher.

As of September, the NPLs stood at Tk 101,150 crore in the banking industry, an increase of 14 per cent from nine months earlier and 7.1 per cent year-on-year.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, says banks extend the waiver to clients when they face default loans and shortage of cash flow.

"If such clients apply to lenders for a waiver following the repayment of a major portion of the loan, we usually consider the issue carefully," he said, urging banks to refrain from giving such treatment to other types of loan.

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### CPD confce on 50 years of Bangladesh begins today

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A four-day international conference is set to start today to reflect Bangladesh's 50-year journey in economy, politics, society and culture since gaining independence in 1971.

The Centre for Policy Dialogue (CPD) is organising the event, to be held virtually, where local and international scholars alongside researchers in various fields will share their findings and perspectives on Bangladesh's growth.

The event, styled "Fifty Years of Bangladesh: Retrospect and Prospect", is being co-sponsored by the South Asia Programme of Cornell University, an Ivy League university based in Ithaca, New York.

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## SMEs need special policy

FBCCI chief says as fair kicks off in Dhaka



Some 60 per cent of the entrepreneurs who are taking part in the 9th National SME Product Fair 2021 in Dhaka are women. The eight-day exposition, which began yesterday at the Bangabandhu International Conference Centre, is open to visitors from 10:00am to 8:00pm.

PHOTO: PRABIR DAS

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Sustaining small and medium enterprises (SME) requires special policy support as a lack of close ties with banks is depriving these small-scale traders of benefits of the government's stimulus packages, said FBCCI President Md Jashim Uddin yesterday.

The focus is due because the SME sector is considered to be the economy's backbone and forms the backward linkage of the export industry, one of the sources of the country's foreign currency earnings, he said.

This also means that the sector has been one of the worst hit by the pandemic since March 2020, he told the inauguration of a 9th National SME Product Fair 2021 at Bangabandhu International Conference Center in the capital.

The fair comprises 325 stalls wholly showcasing local products, highly prioritising agriculture, food processing and agro machinery manufacturers, ICT, software, leather and leather products, light engineering, jute and jute products,

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## Tk 8,500cr dev projects ongoing along Teesta river

Says Tipu Munshi

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The government has been spending more than Tk 8,500 crore to implement various industrial development projects on both sides of Teesta river in a bid to ramp up economic activities in the region, according to Commerce Minister Tipu Munshi.

For example, the installation of gas pipelines in Rangpur will end soon, Munshi said during an event at the Economic Reporters' Forum in Dhaka yesterday.

Besides, the government has been developing some Special Economic Zones across Rangpur to facilitate economic development in the region, he added.

As such, river ports have been developed in Rangpur to carry goods from north-eastern Bangladesh to India.

Also, a bill has already been passed in parliament to set up a university in Kurigram district.

In addition, works are underway to develop Saidpur Airport as a regional airport as Bhutan and Nepal will be allowed to use it, the commerce minister said.



Tipu Munshi

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## Speed up project implementation

WB official says

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The World Bank has stressed the need for bringing more dynamism to designing projects, processing, approval, and every stage of implementation in Bangladesh.

World Bank Vice-president for South Asia Hartwig Schafer proposed for taking initiatives, in coordination among the Economic Relations Division (ERD), project implementing ministries and divisions, and the World Bank, to implement the projects on time.

He came up with the recommendation during a meeting with a team of the finance ministry at the Pan Pacific Sonargaon Hotel in Dhaka, said a press release issued by the ministry yesterday.

Schafer led the WB delegation, while Finance Minister AHM Mustafa Kamal led the host side.

After the meeting, Schafer said in a Twitter message that they discussed green, resilient, and inclusive recovery of Bangladesh from the pandemic.

They also talked about key development priorities and the WB's support through its upcoming partnership framework that will guide its engagement in Bangladesh, he said.

In the meeting, the finance minister said as per conventional rule, a loan is usually given against a project.

But it is often seen that the project may not be ready, and it takes a lot of time to prepare the project. As a result, the process slows.

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## Trade thru Hili land port at a standstill

Indian truckers protest allegations of weight tampering in export

KONGKON KARMAKER, Dinajpur

Cross-border trade through Hili land port in Hakimpur upazila of Dinajpur has been suspended indefinitely as Indian truckers are protesting allegations of weight tampering in export shipments, according to local businesspeople.

Bangladeshi importers recently alleged that Indian trucks carrying their goods weighed less upon entry than the amount stated on papers provided by the neighbouring nation.

Customs officials measure each inbound truck on the port's weigh bridge, which is certified by the Bangladesh Standards and Testing Institution, said Md Rabiul Islam, secretary for port affairs of the Hili Land Port Importers-Exporters Group.

After finding these disparities, Bangladeshi importers informed their Indian suppliers on the matter. Several hundred Indian truckers then began an indefinite strike at around 11:00am yesterday and later staged a demonstration at Zero Point in protest.

A recent investigation into the issue found that the weight disparity is between the amount stated when weighed by the Indian side and the weight measured when entering Bangladesh.

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An Indian truck is seen with a banner which states shipments from the neighbouring nation are being deliberately underweighed. The picture was taken on the Indian side of the Hili land port in Hakimpur upazila of Dinajpur.

PHOTO: COLLECTED

## Envoy Textiles to raise Tk 87cr

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Envoy Textiles is all set to raise Tk 87 crore by issuing preferred stocks, which are shares in a company owned by people who receive a part of the company's profits before ordinary shareholders are paid.

Envoy will issue 8.7 crore preference shares through private placement at a face value of Tk 10 each.

The funds raised will be used to finance the company's upcoming expansion project for the production of blended yarn, and to pre-pay a portion of high-cost borrowing. Envoy Textiles said in a disclosure posted on the Dhaka Stock Exchange website.

The company's paid up capital was Tk 167 crore while its earnings per share rose to Tk 0.21 in the July-September period of the current financial year, up from Tk 0.13 previously.

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