

The 'mega serial' of bank scams



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Embezzling thousands of crores of taka in the name of taking loans from banks is a regular occurrence in Bangladesh. Sometimes behind the front of business and industrial loans, sometimes through direct fraud and deception, such embezzlement takes place. The frequent reporting on such scams, involving a new bank each time, is reminiscent of a popular web series portraying heists. The latest Tk 16,000 crore LC fraud from Social Islami Bank and the Tk 30,000 crore loan scam from Islami Bank by S Alam Group are the latest additions to this parade. These incidents are so systematically organised, using different institutional patronages, that they cannot be called exceptional events and must be seen as an established mechanism of capital accumulation by looting the public's money.

Looting in the name of bank loans
In Bangladesh, the easiest and most common method of primary capital accumulation for businesses is to get loans from public and private banks without collateral – or with inadequate collateral – using political patronage and by bribing bank managers. Then, they default. Debt restructuring, lawsuits, investigations, and writs continue for years.

Yunus Badal, who was caught by the police for stealing a car in 2007, emerged as one of Janata Bank's biggest borrowers in 2010 due to his political patronage. Janata Bank violated loan approval rules and provided him with loans worth Tk 5,000 crore in just six years. The chief perpetrator of the Sonali Bank-Hallmark scam, Tanvir Mahmood, embezzled Tk 2,731 crore. Both became businessmen of great scale,

with Badal going on to own 22 enterprises.

Bank heists by bank owners
Unlike other private or public limited companies, a paid-up capital of Tk 400 crore is required to establish a bank. After that, thousands of ordinary people deposit their savings in said bank. By investing only Tk 400 crore, the bank owners are able to control the deposits of thousands of crores of taka, decide where to invest it, and who to lend it to. So, to accumulate a huge amount of money by investing very little, one first acquires a bank licence using political connections and then embezzles the deposited money under the guise of loans.

According to Bangladesh Bank (BB) policies, no bank director can borrow more than 50 percent of their total shares from their bank. To bypass this regulatory hurdle, bank owners either get loans from their banks through relatives or front companies, or take out loans from other public or private banks by establishing a "mutual understanding" with other directors/owners.

The looting of the Farmers Bank deposits by the owners themselves is a case in point. Due to corruption by the owners, the bank which came into operation in 2013 quickly fell into a capital deficit of Tk 283 crores. By December 2017, its amount of defaulted loans increased to Tk 723 crore. In a report, the BB had held Farmers Bank's former chairman Muhiuddin Khan Alamgir and ex-chairman of its executive committee Mahabubul Haque Chisty largely responsible for the scams.

The case of Islami Bank, the largest private sector bank in Bangladesh, is another example of how people's

deposits are looted by bank owners themselves.

In January 2017, the bank fell into a severe financial crisis, just 15 months after its ownership came into the hands of S Alam Group. According to BB's audit report, S Alam Group has taken out more than Tk 30,000 crore in loans from Islami Bank using various unethical mechanisms.

one to two percent down payment, instead of the usual 10 percent. The total amount of the restructured loan was Tk 15,000 crore. Despite these concessions, after two years, six of these companies – Beximco, SA Group, Ratanpur Group, RSRM, Keya, and MR Group – failed to repay instalments. Interestingly, Beximco – which had obtained one-third of the

could also avail new loans.

In this way, through rescheduling, defaulted loans are shown to be reduced without even collecting them.

Two other methods used to mask the reality of default loans are the relaxation of loan write-offs and classification policies. In February 2019, BB reduced the time period after which banks can write-off bad

steal money from banks.

Although an investigation was carried out in the case of the central bank reserve theft, the investigation report was not published and the guilty persons were not prosecuted. The parliamentary committee related to the finance ministry has not published the investigation report on the Sonali Bank-Hallmark scam, either. The trial of 38 cases filed by the Anti Corruption Commission (ACC) against Hallmark is still continuing at snail's pace.

Authorities were reportedly fully aware of the irregularities and corruption of the former chairman of BASIC Bank, Sheikh Abdul Hye Bachchu. But no action was taken against him. The ACC filed 56 cases in this regard, but Bachchu, accused of being the mastermind, was not charged in any of them. Expressing dissatisfaction with the ACC's role in this case, the High Court recently said, "Crores of taka have been embezzled. But no work is being done though the Anti-Corruption Commission and so many judges and lawyers are there. Why are they [ACC] silent? This is just like a drama. We are watching the drama. This is not acceptable."

Recognise the pattern

It is evident that, while disbursing loans, state-owned banks prioritise those who are close to the state power. On the other hand, private banks act for the primitive accumulation of capital, prioritising businesses related to bank owners and directors. Sometimes, powerful loan defaulters obtain stay orders from the HC using legal loopholes to not be included in the defaulters' list and thus continue to take out new loans from other banks.

If we closely observe and analyse the context of each of the ongoing banking scams, a structural pattern becomes evident, one that is directly related to the country's capital formation, the structure of the financial and banking sectors, and the interests of the booty capitalist. And there is no chance of ending this "mega serial" of scams without strong and organised resistance from the people.



VISUAL: SALMAN SAKIB SHAHRYAR

Unbridled loan restructuring facilities

Default loans are becoming more and more prevalent because vested groups are using their political backing and colluding with bank directors and owners to obtain the loans. Far from recovering thousands of crores of the people's money and punishing the defaulters, the banks are instead giving them rescheduling benefits, with relatively low interest rates and long-term restructuring facilities.

According to a report published by *The Daily Star*, in 2015, 11 big business groups – each of them having taken out loans of over Tk 500 crore from different banks – led by Beximco made a proposal to Bangladesh Bank for restructuring their bad loans. The BB agreed and the companies were given a rescheduling benefit of only

restructured loan – made profits and paid dividends, yet did not pay back loans.

In May 2019, BB issued a directive providing loan defaulters the opportunity to reschedule their classified loans by making a down payment of only two percent, instead of the previous 10-50 percent. The interest rate was capped at nine percent from 12-16 percent and the tenure for repayment was made 10 years.

In July 2022, the central bank allowed businesses to reschedule their loans by making a down payment of 2.5 to 6.5 percent on their term loan, instead of the previous 10 to 30 percent. It also extended their payment tenure to five to eight years, from the previous maximum of two years. In the meantime, businesses

debts from five years to three years, and increased the amount which banks can write off without filing a lawsuit with the Artha Rin Adalat from Tk 50,000 to Tk 2 lakh. This has been further increased to Tk 5 lakh, according to the latest directive issued on January 5, 2023. And in April 2019, the time period after which an overdue loan can be classified as "substandard," "doubtful," or "bad/loss" was increased to three months.

Culture of impunity

Habitual bank loan defaulters who are politically connected are not punished for embezzling public money. Only the small fish are caught and put in jail. The probes and trials go on for years without any conclusion. This culture of impunity encourages defaulters to continue to



Government of the People's Republic of Bangladesh
Ministry of Environment, Forest and Climate Change
Bangladesh Climate Change Trust (BCCT)
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www.bcct.gov.bd



শেখ হাসিনার নির্দেশ
জলবায়ু সচিব বাংলাদেশ



Request for Expression of Interest (EOI)
For
Selecting Consulting Firm(s) Against Performing End of the Project Evaluation "Strengthening Gender Responsive Climate Actions in Bangladesh (SGRCAB)" Project.

01	Ministry Division	Ministry of Environment, Forest and Climate Change (MoEFCC)	
02	Agency	Bangladesh Climate Change Trust (BCCT)	
03	Procuring Entity	Managing Director, Bangladesh Climate Change Trust (BCCT).	
04	Procuring Entity District	Dhaka	
05	EOI for Selection of	Consulting Firm (National)	
06	EOI Ref No.	File No: 22.06.0000.128.14.034.20-part-1 "Strengthening Gender Responsive Climate Actions in Bangladesh (SGRCAB)" Project.	
07	Procurement Method	Quality and cost based Selection (Fixed Budget)	
08	Source of Fund	GoB (CCTF), Selection under a Fixed Budget (SFB)	
09	EOI Publication Date	15-02-2023	
10	EOI Submission Date & Time	10-03-2023, 12.00 p.m.	
11	EOI Opening Date & Time	10-03-2023, 12.15 p.m.	
12	EOI Submission Place	Office of the Project Director Bangladesh Climate Change Trust (BCCT) Ministry of Environment, Forest and Climate Change (MoEFCC), Old Ban Bhaban (6 th floor), Room No (701) 101, Mohakhali, Dhaka-1212	
13	Brief Description of Assignment and Project	The Firm will conduct Impact Evaluation depending on approved TOR. The objective of this assignment to conduct In- depth evaluation of the "Strengthening Gender Responsive Climate Actions in Bangladesh (SGRCAB)" Project. The findings of the proposed study will show the effectiveness of the project, how far changes created in the livelihood of beneficiaries as well as in the society due to the project and the recommendations made by the consulting firm would be a guideline to direct the project on right track and help to implement similar project in future.	
14	Experience, Resources and Delivery Required	Interested Firm(s) must provide information indicating that they are qualified to perform the services (Brochures, registrations, profile, availability of appropriate skills/experts among staff etc). The EOIs will be evaluated on the basis of the following to prepare a shortlist:	

		<ol style="list-style-type: none"> 1) Registration of the firm(s); 2) Background of the firm(s); (limited to two pages); 3) At least 5 years' experience in conducting research or relevant studies. Preference will be given to organizations that have evaluated government projects. 4) Summary of similar projects/services including total professional man-month (limited to 3 pages); 5) Average Annual Turn Over of the firm(s) during the last 5 years (Audited financial reports of the firm(s) for the last 5 years); 6) Availability of appropriate skills/experts among staff demonstrated capacity to handle such assignment in terms of resources; 7) VAT & IT certificates. 	
15	Other Details	Interested firm(s) will be required to submit the EOI in closed format mentioning the name and address of the applicant, EOI no. & date and be addressed to the EOI issuing Authority in 3 (three) copies; 01 (One) marked as "ORIGINAL" and other 2 (two) as "COPY" in separate envelope in the form of book binding. Both the "ORIGINAL" and "COPY" shall have to cover within a single envelope to the address below before the EOI closing date & time. The applicant shall mention the page no. serially in every page of submitted EOI document. EOI will be opened on 22-02-2023 just after closing time. In case of any unavoidable circumstances such as strike, civil commotion, Govt; declared holiday etc, EOIs will be received and opened on the following working day. Upon receipt of EOIs the interested firm(s) those are deemed best suited to perform the assignment will be short-listed. There after Request for Proposal (RFP) document will be issued to the short-listed firm(s). The consulting firm(s) will be selected based on Quality & Cost Based Selection (QCBS) method in accordance with the procedures set out in the PPR 2006 and PPR 2008 of GOB.	
16	Time for performing the study & Reporting	3 (three) months from the date of signing the contract.	
17	Name of Official Inviting	Md. Khairuzzaman	
18	EOI Designation of Official Inviting	Deputy Secretary and Project Director of the Project " Strengthening Gender Responsive Climate Actions in Bangladesh"	
19	EOI Address of Official Inviting	Bangladesh Climate Change Trust (BCCT) Ministry of Environment, Forest and Climate Change (MoEFCC), Old Ban Bhaban (6 th floor), Room No (701) 101, Mohakhali, Dhaka-1212	
20	Contract details of official invitins EOI	Tel:02222282596 Email: khairuzzaman15787@yahoo.com	
21	Expression of Interest (EOI) shall be submitted in sealed envelope, delivered to the address of undersigned. The procuring entity reserves the right to accept or reject any or all EOIs without assigning any reason whatsoever.		



05.02.2023
Md. Khairuzzaman
(Deputy Secretary)
Director (Planning, Development and Negotiation)
&
Project Director of "SGRCAB" Project

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