

| STOCKS | | COMMODITIES | | ASIAN MARKETS | | CURRENCIES | | | | | |
|--------|--------|---------------------------|-------------------------|---------------|-----------|------------|----------|-------|-------|--------|-------|
| DSEX | CSCX | Gold | Oil | MUMBAI | TOKYO | SINGAPORE | SHANGHAI | USD | EUR | GBP | CNY |
| Closed | Closed | \$1,634.20 (per ounce) | \$34.11 (per barrel) | 2.39% | 0.01% | 2.60% | 0.60% | 83.95 | 89.67 | 98.12 | 11.69 |
| | | | | 27,590.95 | 17,820.19 | 2,389.29 | 2,763.99 | 84.95 | 93.47 | 101.92 | 12.29 |



আপনার নিরাপত্তাই আমাদের অগ্রাধিকার
ব্যাংকিং হোক ঘরে বসেই

- ডায়াল ট্রান্সফার
- মোবাইল টপ-আপ
- ক্রেডিট কার্ডের বিল শ্রদান
- ইউটিলিটি বিল শ্রদান
- ব্যাংক চেকটমেন্ট

SIBL Social Islami Bank Limited

Star

BUSINESS

DHAKA MONDAY APRIL 6, 2020, CHAITRA 23, 1426 BS starbusiness@thedailystar.net

TAMING CORONAVIRUS RAMPAGE

Bold, timely, focused

Business community and economists say about the Tk 72,750cr stimulus package

STAR BUSINESS REPORT

Bangladesh's business community and economists yesterday showered praise on Prime Minister Sheikh Hasina after she unveiled a Tk 72,750 crore package in a surprise move to tackle the fallout of the deadly coronavirus, calling the fund bold, time-befitting and focused.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the apex trade body of the country, welcomed the package and termed it very much targeted and focused.

"We think the package will be utilised in a targeted and focused way for the micro, small, medium and large enterprises in the agricultural, manufacturing and services sectors," FBCCI President Sheikh Fazle Fahim said in a statement.

"This package will safeguard minimal unemployment and help maintain normal economic activities. This fund will also help the private sector and export-oriented sectors."

In a joint statement, the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) and the Bangladesh Employers Federation (BEF) deeply appreciated the stimulus package to save the businesses and livelihoods impacted by Covid-19.

"The MCCI and the BEF and their members are extremely grateful to the Hon'ble Prime Minister for making this very timely and bold response to stimulate the economy and ensure the possible devastating impact of Covid-19 on the economy are minimised."

"We welcome the initiatives by the government as we feel it gives an inclusive support," Shams Mahmud, president of the Dhaka Chamber of Commerce and Industry.

A lot of proposals, especially on the micro, small and medium enterprises forwarded by the DCCI to the government have been reflected in the response, he said.

When Prime Minister Sheikh Hasina announced a Tk 5,000 crore stimulus package on March 25 to extend wage support to workers and employees in the export-oriented industries, the allocation was equivalent to 0.2 per cent of fiscal 2018-19's GDP, one of the lowest among South Asian and Asian peers in terms of gross domestic product (GDP).

Yesterday's package has sharply pushed the allocation aimed at controlling the spread of coronavirus towards 2.5 per cent of GDP.

"The stimulus package came as a surprise and pleasant for the businessmen of all sectors as it has exceeded expectations," said Abdul Matlub Ahmad, a former president of the FBCCI.

Most businessmen had expected only waiver of interest on loan or some other benefits, but Tk 72,750 crore stimulus package is a really good news for businessmen, he said.

"I believe this package will help recover all sectors of the economy and strengthen the economy further," said Ahmad, also the chairman of Nitol Niloy Group.

Now all businesses are shut but the safety of life is a priority. "We can do business and other activities if we are alive."

The stimulus package is a wise step and a very timely one, said Mohammad Ali

Khokon, president of the Bangladesh Textile Mills Association.

The Tk 30,000 crore credit facility for the large industries would help the large, medium and small industries of the BTMA and other capital-intensive industries ride out the existing capital shortage.

"The stimulus package is time-befitting and is an exemplary step," said Alamgir Shamsul

government to ensure more liquidity in the hands of the people to facilitate increasing economic activity and boost domestic demand.

"This is an absolutely necessity in times of a possible recessionary crisis," said the joint statement.

The creation of the Tk 30,000 crore fund for large industries and Tk 20,000 crore fund

swift action programmes to implement the support," said the MCCI and the BEF.

"Time is a vital factor here. It has been rightly indicated by the Hon'ble Prime Minister that the loan processing will be administered based on bank-client relationship. However, we strongly suggest that the Bangladesh Bank expeditiously prescribes efficient modalities for banks to reduce the time for evaluation of applications and disbursements."

Swift disbursement of working capital and salary support will be required to reignite the economy and keep it moving at the pace required.

Further, targeted task forces should be put in place to monitor that the support is reaching the persons for whom they are designed.

"These are extraordinary times and require extraordinary measures. Bangladesh must not fall behind. The time is for bold and decisive leadership and we are seeing it from our government, and we believe such strong leadership will continue," the MCCI and the BEF said.

The package will be instrumental in supporting the businesses across the spectrum under current circumstances and help the economy rebound as situation improves in the future, said Rupali Haque Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry.

Economists were also welcoming the stimulus package.

"This is a time-befitting initiative beyond doubt," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The financial package will put a positive impact on the financial sector and give a boost to the confidence of the economy as well, said Salehuddin Ahmed, a former governor of the central bank.

According to Mansur, the fund will have to be given out to the businesses, which are being hit hard by the ongoing economic fallout from Covid-19. The SMEs are in a vulnerable situation and many of them will be unable to pay rent of their factories and shops.

The government should ask immediately the owners of spaces not to evict the affected businesses, he said. In addition, immediate financial support should be given to the SMEs and both the government and the central bank should take care of this.

The large financial package will be materialised by banks, but they will not do it due to their ongoing liquidity crunch.

"The government should ensure that no habitual defaulter manages any fund from the financial package," said the former economist of the International Monetary Fund.

The BB earlier said it would purchase Treasury bills and bonds from lenders as part of its quantitative easing, but it is yet to be started.

A large volume of cash will have to be injected into the market immediately by using the quantitative easing tool in order to implement the package, Mansur said.

"The prime minister should have addressed

in her speech on how foods and essential commodities would be catered to the people who are now unemployed due to the ongoing crisis," he said.

Around 1.2 crore people are now jobless and their family members are passing an undesirable situation.

The government should form a committee in every village comprising representatives of local government, non-governmental organisations and reputed persons to deliver government supports to the underprivileged.

"If the government fails to do so, it will have to face a big political crisis."

A good number of migrant workers will be needed within 8-10 days to harvest the ripe borrow paddy in haor region. Workers from the northern districts usually move to the region to cut the paddy, but they will face difficulty this time.

The government should take prompt measure to help the farmers of the area, or else the country will have to face shortage of rice, he said.

According to Salehuddin Ahmed, the government may face some challenges to implement the package quickly. A two-year rolling plan should be taken, sidestepping the ongoing five-year plan for the time being given the gravity of the financial crisis.

"The package will have to be implemented in a rapid manner avoiding bureaucratic tangle such that the affected sectors get the support promptly."

The former central bank governor said banks frequently put pressure on SMEs to provide adequate collateral and financial statement before approving loans, but many entrepreneurs are unable to do so.

Now, banks should be forced to lend adequate loans to SMEs based on their cash-flow.

The government should waive a certain portion of interest for the manufacturing segment of the SME sector, he said.

The prime minister has not addressed the ongoing crisis of the agriculture sector, Ahmed said. The government should take immediate package for the sector so that the country can avoid probable food shortage in the days ahead.

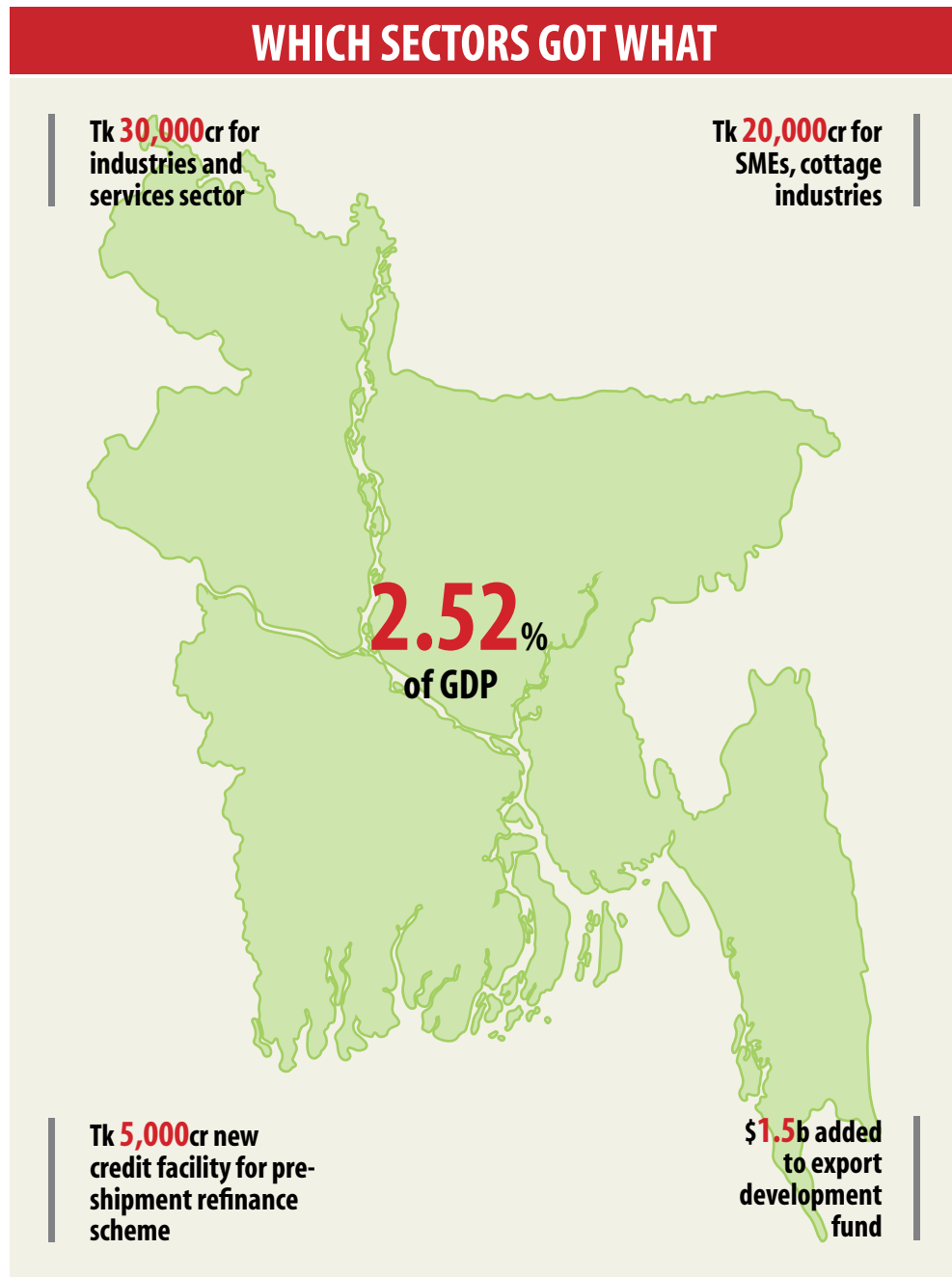
A fresh financial package should be declared for the workers of the informal sector as they have a great role in keeping the wheel of the supply-side rolling, he said, adding that the government should take a set of measures for the migrant workers as many of them may be forced to return home.

The DCCI hopes companies and businesses with good track record of paying taxes and contributing to the growth story of Bangladesh will be given priority for the fund.

"This also is a wakeup call for businesses outside the banking channels to come under the formal banking channel."

The chamber requested mobile financial services to reduce service charges for six months as they have been selected as a mode of fund disbursement.

The DCCI also welcomed a central bank move aimed at supporting the agriculture sector.



Alamin, president of the Real Estate and Housing Association of Bangladesh.

He urged the government to allocate funds for the real estate sector.

The prime minister has set out the programme for the most disadvantaged people of the society who need immediate support and the MCCI and the BEF were highly appreciative of the priority given to the disadvantaged citizens.

The prime minister indicated expansionary monetary policy to be adopted by her

for small and medium industries with 4.5 per cent and 4 per cent interest rates respectively are extremely commendable steps, they said.

Most of the major proposals and suggestions made by the members of the MCCI and the BEF earlier have been addressed.

While the government has done the initial part of prescribing the stimulus, the major task lies ahead in promptly and efficiently implementing the policies.

"We urge the policymakers to create a transparent mechanism free of red-tape with

Stimulus comes at the right time

AHM MUSTAFA KAMAL, Finance minister

Prime Minister Sheikh Hasina has realised the importance of the stimulus package for the economy at the right time, like she did in previous cases of crises.

The prime minister has not made any delay, given her past experiences in dealing with crises.

Bangladesh believes in a market-based economy, so no country is separated from another, rather they all are integrated. If something happens in one country, it affects all others.

All of the country's people will benefit from the measures the prime minister has undertaken as people from all walks of life have been brought under the stimulus package. Even cottage, small and medium industries will benefit.

None will be left behind. Everybody has been included.

I believe now the people of the country will not lose hope. They will start to believe that the country will regain normalcy.

This package will help the country's industries and the private sector.

Inflation is standing at 5.50 per cent and is within the comfort zone.

The government will have to be in the driving seat in mobilising funds and have to conduct monetary and fiscal policies flexibly. I believe the central bank will perform the task properly.

If the existing pandemic does not linger, Bangladesh would be able to clock 8 per cent GDP growth in the current fiscal year.



Package to improve economic situation faster

ABDUR ROUF TALUKDER, Finance secretary

The first of four packages unveiled by the prime minister involves Tk 30,000 crore. It will be provided to affected industries and service sector organisations as working capital through banks as low-interest loans.

This portion of the fund will revolve. It is known that working capital is given for a short period. Borrowers pay back the loans from four to six months. If banks can use the fund efficiently and borrowers repay the loans on time, then the fund could be used in disbursing loans up to Tk 60,000 crore a year.

In the same vein, the four credit facilities announced by the prime minister could create loan facilities of more than Tk 135,000 crore if used properly.

As the credit risks would be borne by the commercial banks, moral hazard would not be created and the quality of loans would improve. This will help improve the economic situation faster.

The four packages have covered the whole segment of the economy. The packages for the larger industries and the services sector and the cottage, small and medium enterprises are different so that there is no overlap.

The second package would help the agro-processing industries, fisheries, poultry, dairy farms. The micro and SME industries has been given special priority.

The finance division will work with Bangladesh Bank when the central bank works on formulating guidelines for the packages. We will also consult the allied associations before formulating the guidelines in order to implement the packages smoothly.



Mobilising liquidity top priority

FAZLE KABIR, Bangladesh Bank governor

From the very beginning, the central bank has given top priority to mobilising adequate liquidity for the financial sector if the pandemic hits Bangladesh's economy and the crisis prolongs. In order to ensure a smooth supply of this liquidity to the various sectors and sub-sectors of the economy, Bangladesh Bank has expanded the size of some refinancing schemes.

The Export Development Fund (EDF) has been increased to \$5 billion from \$3.5 billion. Interest rate on the fund was slashed to 2 per cent from more than 2.7 per cent.

From April 1, the cash-reserve ratio (CRR) at scheduled banks was brought down on weekly average basis to 5 per cent from 5.5 per cent previously. As a result, banks would get an additional Tk 6,500 crore to lend.

In order to ensure adequate liquidity in the banking sector, the central bank's Repo's repurchase rate was revised downward by 25 basis points to 5.75 per cent from 6 per cent annually. Now, banks will have to spend less in pooling liquidity resources.

Considering the demand of the people during the general holiday, banks have been kept open on a limited scale so that banking services such as cash deposit and withdrawal, pay order and depositing treasury 'chalan' can be carried out. Measures have been put in place for depositing and clearing chalang related to open market sales. In order to ensure the quick encashment of cheques, Bangladesh Automated Clearing House has been kept open.

If outstanding bills on credit cards remain unpaid from March 15, 2020 to May 31, 2020 because of the social distancing, banks have been asked not to charge late payment fees.

The BB has issued guidelines to pay wages and salaries to the workers of the export-oriented sectors for April to June from the Tk 5,000 crore stimulus package unveiled by the prime minister on March 25.

Relevant industries hope that their workers will get their salaries for April on the last day of the month.

Some provisions related to foreign currency transactions have been relaxed in the wake of the coronavirus outbreak.

