

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
Closed	Closed	\$1,708.50 (per ounce)	\$23.02 (per barrel)	32,720.16 ▲ 1.89%	Closed	2,574.73 ▲ 0.46%	2,822.44 ▲ 0.44%	BUY TK 83.95	90.01	103.78	11.72
								SELL TK 84.95	93.81	107.58	12.31

এসআইবিএল-এর সম্মানিত মুদারাবা
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TAMING CORONAVIRUS RAMPAGE

Banks' new headache? Looming bulk credit card charge-offs.

AKM ZAMIR UDDIN

Credit cards were slowly but surely finding a place in consumers' hearts in recent years, thanks to a combination of banks' aggressive push, a growing aspirational middle-class population and increasing awareness of the convenience the payment tool provides.

Banks too were all too willing to issue credit cards, which carry one of the highest interest rates. But the global coronavirus pandemic has now left them on pins and needles.

They are now bracing for a double hit: transaction volumes diving and delinquencies rising as unemployed and underemployed consumers lose the ability to pay back revolving debt taken on during better times.

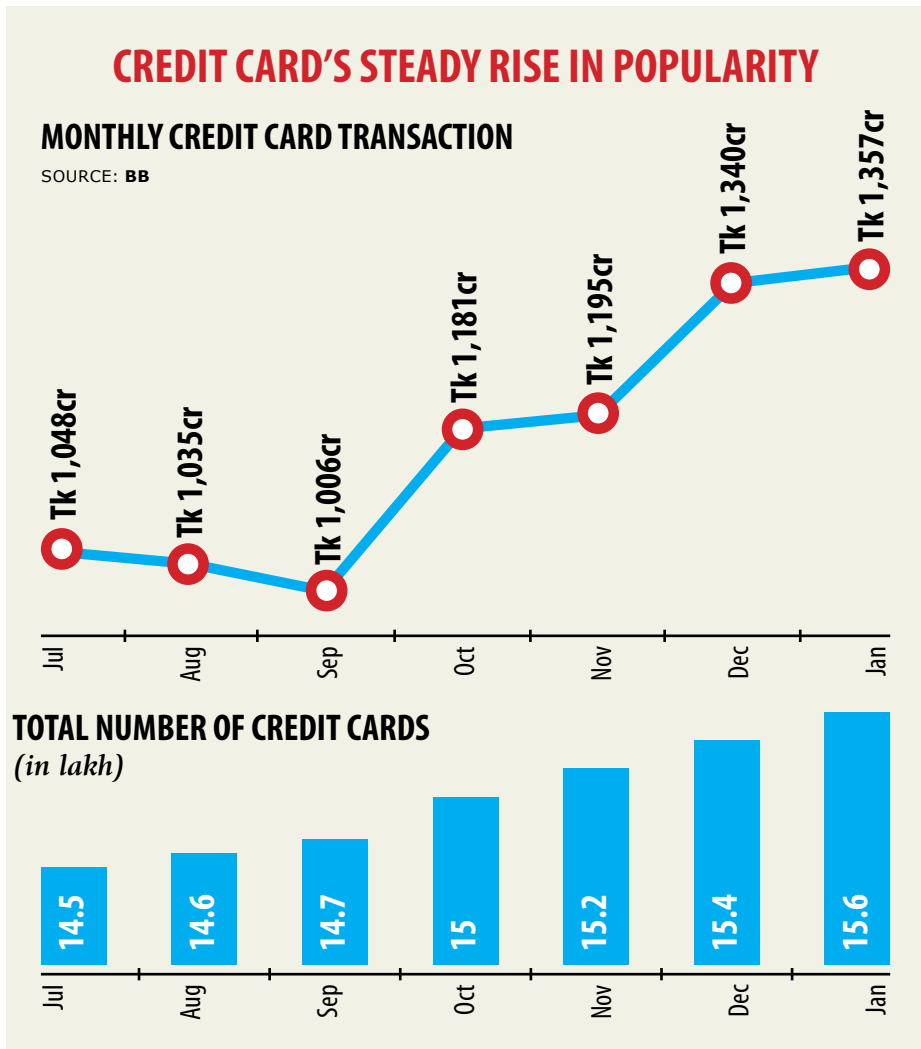
Since the countrywide movement control order was put in place on March 26, credit card usage has nosedived more than 50 per cent as almost all restaurants and retail points are closed, according to bankers.

And this outbreak could not have happened at a worse time for credit card issuers.

"We usually enjoy most business during Ramadan every year. But this time is completely different," said Mashrur Arefin, managing director of City Bank, which accounts 35 per cent of the credit cards in circulation, the highest.

Last Ramadan, City's credit cardholders had spent Tk 620 crore.

To turn the tide, Standard Chartered Bangladesh, which accounts for 14 per cent of total credit card transactions in the market, has rolled out promotions to tempt



cardholders to splurge, according to Sabbir Ahmed, its head of retail banking. The British lender's clients can enjoy 5 per cent cashback from selected retail points.

And those who would be unable to pay their instalments on time would get a debt restructuring

facility, he said. But the possibility of missed instalments is looming large on most lenders' minds.

"We are struggling to recover the funds from cardholders," Arefin said, adding that in the last one month the bank's overdue payment from cardholders has increased more than seven times.

City is now considering requesting the Bangladesh Bank to follow the same classification and loan provisioning policies

as term loans for credit cardholders too.

For term loans, non-payment of instalments for a straight nine, 12 and 18 months would land the accounts in the sub-standard, doubtful and bad categories respectively.

Mutual Trust Bank is now brainstorming on how to facilitate many of its cardholders to pay their instalments on time, said its managing director Syed Mahbubur Rahman.

"We will scrutinise the clients' attitude on a case-to-case basis. The bank will block the delinquent clients if required."

The bank, which has issued 60,000 cards and has Tk 300 crore outstanding from this segment, is worried about recovery in the days ahead as many clients would lose their ability to pay back the funds, Rahman said.

"We will offer equally monthly instalment facility for the clients such that they can comfortably repay the loans," he added.

Dhaka Bank, which has 15,000 cards in circulation, has almost stopped issuing new credit cards to avoid defaults, said its Managing Director Emranul Huq.

Brac Bank, which is holding the second position in term of issuing credit cards in the market, has also faced difficulties to recover the loans from cardholders, said Md Mahiul Islam, its head of retail banking.

The bank, whose card transactions have declined to one-third in the last one month, has Tk 660 crore outstanding from its 178,000 credit cards, he said.

To protect the cardholders from financial ruins, the BB though has taken a host of measures.

Lenders are not allowed to impose any late payment fees on credit cardholders from March 15 onwards and they have been asked to follow the simple interest rate model instead of the earlier method of the compound interest rate.

It has also asked banks not to consider cardholders as defaulters if they fail to repay instalments until June 30.

"This is all well and good. The question is when this is over, do those loans start paying again and it's fine. Or, is there going to be a big wall of charge-off?" said a bank MD requesting anonymity to speak candidly on the matter.

IDLC profits pounded by topsy-turvy financial markets

AHSAN HABIB

IDLC Finance, a listed non-bank financial institution, took another hit to its profit last year thanks to the bearish stock market and volatile money market.

In 2019, its profit dropped 21.65 per cent, or Tk 47 crore, to stand at about Tk 170 crore in.

"Growth in revenues from our core lending business was not sufficient to counter the fall in capital market returns, so profits fell," said Arif Khan, chief executive officer of IDLC Finance.

IDLC's net interest income was up 10 per cent from the previous year to Tk 467 crore in 2019. The company's income from stock market investment tumbled a staggering 82.81 per cent to Tk 46.31 crore.

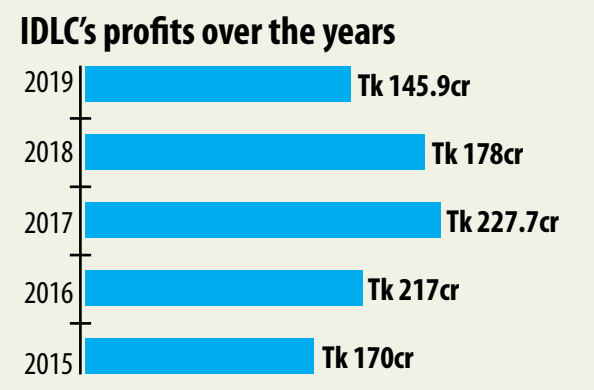
Fee income of the company stood at Tk 85 crore at the end of the year, registering de-growth of 18.35 per cent. It mainly resulted from declines in brokerage fees and fund management fees in the stock market.

DSEX, the benchmark index of the Dhaka Stock Exchange, descended about 17 per cent in 2019. And the average daily turnover stood at Tk 480 crore, dropping 12.8 per cent from the previous year.

Thanks to the downturn scenario of the capital market, IDLC Finance have reduced its stock market investment already.



financing happiness



It restructured the asset composition of its lending business over the year, with investments in marketable shares composing 9.88 per cent of equity at the close of 2019, down from 19.63 per cent at the start of the year.

For its subsidiaries, it is focusing more on foreign clients and high net-worth individuals through the research teams in its brokerage and investment banking subsidiaries.

The year 2020 would be more challenging for money market, stock market and all businesses due to the impact of COVID-19, Khan told The Daily Star yesterday.

"If the economy tanks and loan disbursement drops, we will also face a problem though IDLC Finance is the most profitable NBF now," he added.

Return on asset of IDLC Finance is 1.50 per cent, which is the highest in the industry.

In 2019, the NBF industry saw a de-growth in deposits due to the liquidity crisis following the bankruptcy of People's Leasing and Financial Services, which created a negative perception for depositors regarding the sector.

However, IDLC's term deposits grew 7.34 per cent, with non-bank deposits rising 17.29 per cent.

The company's lending portfolio grew 10.02 per cent, reaching Tk 9,235 crore in 2019.

At the end of the year, its default loan ratio stood at 3.07 per cent, up from 2.20 per cent a year earlier.

Stocks of IDLC, which got listed with the DSE in 1992, traded at Tk 41.90 on March 25, the last day of trading before the bourses shut for the countrywide shutdown.

It announced 35 per cent cash dividend for shareholders for the year ended on December 31, 2019 which was same in the previous year.

Bangladesh to face one of the highest decline in working hours: ILO

STAR BUSINESS REPORT

Bangladesh is among the countries that are forecast to face the highest decline in working hours in the first half of 2019 as the raging novel coronavirus continues to put economies on lockdown and factories closed, the International Labour Organisation (ILO) said yesterday.

The estimated hours lost for the lower-middle-income countries, which include Bangladesh, were 1.9 per cent in the first quarter of 2020 compared with the pre-crisis baseline.

The loss rose to 12.5 per cent in the second quarter, according to the 'ILO Monitor third edition: COVID-19 and the world of work', which was released yesterday.

Low-income countries are expected to lose 8.8 per cent in the working hours compared with 1.6 per cent in the first quarter, the upper-middle income countries 8.7 per cent working hours, up from 8.6 per cent in the first quarter, and the high-income countries 11.6 per cent of

the working hours, which is way higher than 1.6 per cent in the first quarter.

"The crisis is causing an unprecedented reduction in economic activity and working time," the ILO said.

Bangladesh has been enforcing lockdown since March 26, two weeks after it reported the country's maiden coronavirus infections, shutting factories and industries, suspending transport movement, closing offices and banning gatherings, as part of its measures aimed at flattening the curve on deadly virus.

The measures left most of the workers unemployed.

The continued sharp decline in working hours globally due to the COVID-19 outbreak means that 1.6 billion workers in the informal economy -- that is nearly half of the global workforce -- stand in immediate danger of having their livelihoods destroyed, the ILO said.

The drop in working hours in the second quarter of 2020 is expected to be significantly worse than previously estimated.



Worldwide, more than 436 million enterprises face high risks of serious disruption. These enterprises are operating in the hardest-hit economic sectors, including some 232 million in wholesale and retail, 111 million in manufacturing, 51 million in accommodation and food services, and 42 million in real estate and other business activities.

The ILO calls for urgent, targeted and flexible measures to support workers and businesses, particularly smaller enterprises, those in the informal economy and others who are vulnerable.

"For millions of workers, no income means no food, no security and no future. Millions of businesses around the world are barely breathing. They have no savings or access to credit. These are the real faces of the world of work. If we don't help them now, they will simply perish," said ILO Director-General Guy Ryder in a press release.

Measures for economic reactivation should follow a job-rich approach, backed by stronger employment policies and institutions, better-resourced and comprehensive social protection systems, the ILO said.

International co-ordination on stimulus packages and debt relief measures will also be critical to making recovery effective and sustainable. International labour standards, which already enjoy tripartite consensus, can provide a framework.

Boro yield to offer some respite

SOHEL PARVEZ

Farmers are expected to bag a higher amount of boro paddy this harvesting season thanks to favourable weather and low pest infestation, a development that may offer some breathing room to the nation now reeling under coronavirus-induced uncertainty.

The yield of the biggest crop is likely to edge up 0.51 per cent year-on-year to 1.95 crore tonnes in the current harvesting season, the US Department of Agriculture (USDA) said in a report on Bangladesh released on Monday.

"Farmers, although concerned about a labour shortage during harvest, believe this year's crop has benefited from favourable weather and no major pest or disease infestations," it said.

The prediction comes as farmers in

the northeast and northwest regions, two major boro producing zones in the country, are harvesting the paddy, which accounts for more than half of the total annual rice production.

The report cited government initiatives to support farmers during the pandemic and said labour, transportation, storage and processing costs are expected to rise as a result of COVID-19.

The agency forecasted that overall rice production might increase 1.4 per cent to 3.63 crore tonnes on the assumption of normal weather conditions and higher yield in the May-April period of 2020-21 from 3.58 crore tonnes in the previous year.

The USDA predicted wider use of high-yielding varieties (HYVs) and hybrid seeds in the marketing year of



- Boro yield may be **1.95cr** tonnes this season
- Overall rice production may rise to **3.63cr** tonnes
- Rice import may soar to **200,000** tonnes in FY21

2020-21 that stretches from May to April. "There is a growing preference for HYVs and hybrid seeds because of higher yields."

The US agency also predicted that Bangladesh's rice import would increase to 200,000 tonnes in fiscal 2020-21 to meet the additional demand caused by the pandemic.

Import of wheat, the second most consumed grain after rice, is also forecasted to rise to 64 lakh tonnes in fiscal 2020-21 from 63 lakh tonnes in the outgoing fiscal year.

Wheat use will continue to rise in diversified bakery items and processed foods amid growing consumer demand for wheat-based products and low international prices, according to the report.

The agency said wheat acreage may

increase to 3.50 lakh hectares in the next marketing year of May-April from 3.40 lakh hectares in the outgoing year.

"Some farmers are expected to plant wheat in place of corn on expectations of higher profit margins and reduced exposure to wheat blast, a fungal disease that impacted Bangladesh's wheat harvest two years ago," said the USDA report.

Wheat production is likely to increase to 12.5 lakh tonnes in the next season riding on favourable weather conditions.

The growers will bag 12 lakh tonnes of wheat, which is harvested in April, during the outgoing year of 2019-20.

"Farmers have expressed optimism about this year's crop, stating that wheat blast was not as big of a concern this year relative to the previous crops," the US agency said.