

StanChart
Bangladesh donates
\$1.6m for COVID-19
emergency relief

STAR BUSINESS DESK

Standard Chartered Bangladesh has contributed \$1.6 million to Red Cross and Unicef as part of the British bank's \$10 million pledge to support emergency relief activities in Asia and Africa by way of the two organisations.

"By working with these organisations, we are able to support the delivery of rapid and effective emergency relief that aims to address some of the key challenges created by the pandemic," said Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh.

The Red Cross and Red Crescent will support activities such as the provision of primary and secondary healthcare, communication of protection measures, provision of personal protection equipment for staff and volunteers, and the distribution of food and care packages.

Unicef will focus on activities such as the provision of remote education via television, radio, online and mobile platforms and child protection measures, including alternative care arrangements and family tracing services for children separated from their families due to coronavirus.

UK helps employers with slow phase-in of job shield costs

REUTERS, London

British finance minister Rishi Sunak offered fresh help to employers hammered by the coronavirus shutdown on Friday in the form of a gradual phase-in of contributions by them to the government's hugely expensive wage subsidy scheme.

The government has been paying since March 80 per cent of the wages of workers who are temporarily laid off, and who now total 8.4 million, to limit a surge in unemployment.

In August the companies will have to resume pension and social security payments, building up to 10 per cent of wage costs in September and 20 per cent in October, a lesser requirement than reported by media before the announcement.

Sunak also brought forward to July 1 the start of part-time work under the programme, a demand of businesses seeking to rebuild gradually. He extended another multi-billion-pound income scheme for self-employed workers as well.

"Now, as we begin to re-open our country and kickstart our economy, these schemes will adjust to ensure those who are able to work can do so, while remaining amongst the most generous in the world," he said.

Although common in other European countries, the income support schemes represented a big shift for the traditionally free-market Conservative Party when they were launched in March as the coronavirus crisis swept the world.

Len McCluskey, leader of the Unite trade union, welcomed Friday's changes but called for more help for the hardest-hit sectors such as aviation and hospitality.

"Without such assistance, and soon, many businesses will simply shut up shop, resulting in the mass unemployment the chancellor has sought to avoid these past two months," he said.

The cost of the two income programmes was now likely to shoot past 100 billion pounds (\$123 billion), the Institute for Fiscal Studies, a think tank, said, about as much as for the National Health Service over the same March-October period.

Sunak declined to say whether he would



REUTERS

Britain's Chancellor Rishi Sunak speaks at the daily COVID-19 briefing next to NHS Medical Director for England Professor Stephen Powis at 10 Downing Street in London, Britain on May 29.

bring forward his next budget statement, due in the autumn, to spell out how he will tackle Britain's surging debt.

One in three private sector employees are covered by the Coronavirus Job Retention Scheme, which has already cost the state about 15 billion pounds.

It is due to expire at the end of October and Sunak said on Friday it would close for new claims on June 30.

The Bank of England says the scheme could limit a rise in the unemployment rate to about 9 per cent, double its most recent reading but way below an estimated 20 per cent in the United States.

Under the plan, workers are receiving 80 per cent of their wages up to 2,500 pounds a month.

Some employers had warned they would not be able to pay 20 per cent of the wage costs of their furloughed staff from August - as reported

by media before Friday's announcement - raising the risk of a fresh surge in job losses.

The Resolution Foundation, a think tank, said even the limited contributions required from August were likely to lead to significant layoffs in the hospitality sector, in which an estimated 2 million employees are now furloughed.

Sunak said hardship lay ahead for many but the scheme was too expensive to continue indefinitely.

Britain's borrowing in April alone of over 60 billion pounds was equivalent to almost all of the previous financial year. It looks set to hit a towering 15 per cent of gross domestic product this year.

About 2.3 million claims totalling 6.8 billion pounds have been made under the income support scheme for self-employed people which was extended with a second, slightly smaller final grant available from August.

Managing stimulus packages and banking sector liquidity

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Banks and financial institutions can also accumulate more funds for lending through in-house arrangements like using buffer stockholding for capital, barring dividend payments on last year's profit, reducing costs, particularly banning all capital expenditure and rationalising corporate social responsibility (CSR) expenditure.

At the end of June 2019, the capital conservation buffer (CCB) holding in addition to the minimum capital requirement stood at Tk 1,784.54 crore, which 1.74 per cent of total regulatory capital.

At the individual level, 31 banks have already fulfilled the CCB requirements.

These banks can use CCB as an additional source of funding.

The amount of their net profit after tax was Tk 4,040 crore in 2018 and Tk 9,501 crore in 2017.

A substantial portion of banks' profit is being distributed among shareholders as per the rules.

Banks may stop distributing any profit as dividend at least for the next two years so that this amount can be utilised as a further source of funds.

The capital expenditure of all banks was on an average Tk 9,600 crore in 2017, whereas this amount rose to Tk 15,800 crore in 2018.

Banks may incur this expenditure at a very minimum level only for most essential items and make use of this fund for lending purposes. The BB may insist on this and issue a notice in this respect.

Banks' spending on CSR soared in the last few years: the amount of CSR expenses was Tk 520.35 crore in fiscal 2018-19.

This participatory fund can be an additional source in the upcoming time.

If the crisis lingers, the short-term liquidity problem may turn into an insolvency problem for a few banks.

In the case of any bank or financial institution becoming insolvent, the regulator needs to think about the process of intervention ahead of time.

Finally, coordinated efforts are necessary among all regulators across the world to innovate and implement macro-prudential policies suitable to deal with the possible future financial predicament.

The writer is a professor and director of research, development and consultancy at the Bangladesh Institute of Bank Management

Calls for anti-dumping duty on Indian yarn grow louder

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Bangladesh has been enjoying duty-free trade benefit to Indian markets from 2011 under the South Asian Free Trade Area (SAFTA).

Under the SAFTA, Bangladesh enjoys zero-duty benefits on the export of all goods -- including apparel products -- except 25 alcoholic and beverage items.

In fiscal 2017-18 and 2018-19, Bangladesh exported \$566 million worth of garment items to India and imported \$7.74 billion worth of textile-related items, including raw cotton, cotton yarn, fabrics and textiles, according to Khokon.

Reconditioned vehicle sellers seek Tk 500cr loan from stimulus package

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Barvida also requested the port authorities to reduce the rent for space at the yards from April to December, stating that otherwise, the sector would face severe losses.

The association also requested the National Board of Revenue to halt the auctions for unclaimed vehicles at ports for the period.

Mohammed Shahidul Islam, Barvida secretary general, and SM Anwar Sadat, vice-president, joined the press conference.

Govt not going overboard with subsidy expenditure next fiscal year

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The finance division has estimated that the economy would grow by 5.5 per cent this fiscal year despite the devastating impact of the coronavirus pandemic and 8.3 per cent next fiscal year.

The World Bank has projected that the country's GDP growth would be between 2 and 3 per cent this fiscal year, in a stunning decline from the 8.15 per cent logged in last fiscal year and between 1.2 per cent and 2.9 per cent next fiscal year.

Exports subsidy stands at Tk 6,825 crore, remittance subsidy Tk 3,060 crore, power sector subsidy Tk 9,500 crore and LNG import subsidy Tk 9,000 crore.

The subsidy spending for providing low-cost loans as well as food has been increased to Tk 6,500 crore from Tk 4,882 crore as the country's expenditure to feed the poor has increased sharply because of the coronavirus-induced shutdown, which has put a brake on the economic activities leaving people with now work.

Under the Food-Friendly Programme, 50 lakh families can buy 30kg rice a month for Tk 10 a kg. The open market sale programme helps

about 13 lakh people in urban and semi-urban areas.

Due to the income shock emanating from the pandemic, 77.2 per cent of the vulnerable non-poor fell below the poverty line, according to a joint study of the Power and Participation Research Centre and the Brac Institute for Governance and Development.

This would imply that beyond the 20.5 per cent of the population officially recognised as poor there is a group of 'new poor' representing an additional 22.9 per cent of the population that needed to be brought within the discussion on poverty.

"The Tk 54,695 crore subsidy is not a small amount. So, we have to think about this expenditure. We can't allocate these resources inefficiently," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, a think-tank.

He, however, backed the increase in the subsidies for agriculture, food and low-cost loans, calling them timely.

The Tk 5,000 crore interest rate subsidy extended to businesses and industries aiming at economic recovery is desirable although the amount is small, he said.

"But the subsidy going to the power

sector is not coming down. Most of the spending in this category is being used for capacity payment, meaning the government is paying although the power plants are not supplying the electricity. We have to give attention to this area."

There is no question about the increase in food subsidy as the government would have to expand the open market sales to feed the people, said Mansur, a former economist of the International Monetary Fund.

The subsidy geared towards farm mechanisation would be good for the country. "This should be done ensuring competitive process instead of sourcing equipment and machinery from one or two companies."

The price of fertiliser has gone down internationally and the use of fertiliser is not increasing in Bangladesh as farmland is not expanding. So, this subsidy should go down, the economist said.

According to Mansur, remittance and export subsidies are unnecessary and these could be extended by depreciating the exchange rate.

"This would have been good for all exporters, while the government would have got rid of administrative processes and costs."

Low-cost loans from stimulus packages not going like hot cakes

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A total of 33 banks and NBFIs have so far signed participation agreements with the BB to use the refinancing fund.

The BB official hopes banks will take initiative to disburse the loans within the shortest possible time.

The central bank does not know anything yet on whether the lenders have disbursed any fund under the refinancing scheme of Tk 5,000 crore for agro-based small and medium businesses.

Banks will have to inform the central bank within the first week of this month to this end. No fund has yet to be disbursed from another refinancing scheme of Tk 3,000 crore for the marginal businesses and farmers.

But banks are now taking preparation to give out loans under the stimulus package as 24 lenders have already signed agreements with the central bank to use the fund, said another central bank official.

Some nine banks have also applied for the fund.

"We think that the whole process will be completed soon and both the marginal and deprived businesses will get loans in the quickest

possible time," the BB official said.

But banks said borrowers are still less enthusiastic about taking loans at this moment to run their businesses.

Sonali Bank MD Ataur Rahman Prodhon said his bank had not got expected response from borrowers for funds from the stimulus packages.

"Businesses are now playing a wait-and-watch game," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

The lender has so far received only 30-35 applications for loans from stimulus packages, he said.

"The economy has just reopened. And this will play a role in helping borrowers decide on whether to take loans or not," said Rahman, also the immediate past chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

He, however, said banks are ready to sanction loans and forward the applications to the central bank. Shah Md Moinuddin, deputy managing director of IFIC Bank, echoed the same.

The bank has got only 5-6 applications from borrowers.

NTT DoCoMo poured \$350m in Bangladesh. But it is now leaving empty-handed.

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If a company invests in any country and does not see the expected return, it can exit the country. This is an international practice. The same has happened in case of NTT DoCoMo, he said yesterday.

"There is nothing to be worried and it would not impact the flow of foreign investment to Bangladesh," he said, adding that the Japanese company did not raise any complaint with the BIDA about any policy.

The BTRC says the departure of DoCoMo would not affect Bangladesh's 5G ambition.

"Bangladesh is a huge market and all the top global players are running their business here. You will never find so many customers in a very small cell like Bangladesh," Haque said.

After securing the DoCoMo's stake, Bharti would hold 31.33 per cent stake in Robi. Kula Lumpur-based Axiata retains the controlling stake of 68.95 per cent.

Cambodia bourse sees first bank listing

AFF, Phnom Penh

Cambodia's largest commercial bank listed on the country's stock market on May 25, the first lender to trade on the fledgling exchange, despite uncertainty caused by the coronavirus pandemic.

Acleda Bank became the sixth firm to join the Cambodia Securities Exchange (CSX), which opened in 2011, joining a garment factory, two state-owned ports, and a special economic zone. But initial fanfare for the kingdom's trading future has dimmed, with the country's lack of financial literacy and a dearth of eligible companies being major obstacles.

An EBL account can now be opened in just two minutes

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Once the willing customers are at the bank, a photo of him/her will be taken immediately and information will be uploaded on the bank's "Insta banking app". The customer will have to give a signature on a printed page.

The new service would reduce the health risk for customers and the bank's employees at a time when social-distancing is a priority, said Ziaul Karim, head of communication and external affairs of EBL, which is using the face-matching technology for identifying customers' authenticity with the NID card.

The option of visiting a branch is a temporary requirement for a customer who wants to open the account.

"Within a few months, such accounts can be opened from the home of the customers," Karim added.

Currently, the service can be availed by new customers only. For now, monthly transaction (withdrawal/deposit) will be limited to Tk 1 lakh.

EBL Insta Account comes in both current and savings variant and is available at all EBL branches. A debit card as well as free cheque book will be couriered to the account holder.

The central bank issued the e-KYC guideline on account opening on January 9.

Although the digitalisation enables easy access to financial service from remote locations, it may pose some underlying risks of money laundering and terrorism financing.

So, the central bank and the Bangladesh Financial Intelligence Unit (BFIU) worked for a long time with many government agencies and institutions to introduce the guideline, said an executive director of the central bank.

A nationwide pilot programme for e-KYC was completed with 18 banks and one mobile financial service provider.

The data provided by the institutions showed that the e-KYC can save time.

The BFIU expects every financial institution to implement the guideline by December to enhance service capacity in order to reduce cost and time and achieve steady business growth.

Floor price weighing heavy on investors as trading finally resumes

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Investors are, however, cautious about the upcoming earnings declaration of listed firms, according to Pasha.

"The earnings may fall because the firms have not been able to do business in the last two and a half months."

As the performance of the listed firms has been affected by the pandemic, dividends would also receive a blow, said a top broker.

"Investors know about it and some of them will try to sell their shares."

The index will fall if the floor price does not continue. However, the fall will create an opportunity for some to park money in lucrative stocks as they know the index would move up when the pandemic peters out, the broker added.

Several stocks were not traded yesterday due to the lack of buyers as they think these stocks deserve fall more. But that did not happen because of the floor price, said the broker.

On the DSE, 60 stocks advanced, 68 declined and 195 were unchanged yesterday. Turnover, an important indicator of the stock market, dropped 59 per cent to Tk 148 crore.

Beximco topped the gainers' list as it advanced 10 per cent, followed by Prime Finance 1st Mutual Fund, ACI, Central Pharmaceuticals and ACI Formulations.

AB Bank was the top loser shedding 10 per cent, followed by Standard Bank, Altex Industries, Premier Bank and Exim Bank.

Square Pharmaceuticals was the most traded stock, followed by Beximco Pharmaceuticals, Grameenphone, Orion Pharmaceuticals and Beximco.

The port city bourse also observed an upward trend. The broader CSEX index rose 92.25 points, or 1.34 per cent, to 6,952.12.

Commercial production starts of another promising COVID-19 cure

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Moreover, the condition of only 2.64 per cent of patients here turned critical, he said.

"We used the Favipira for only moderate to severe patients. Among them who had no chronic and other diseases like diabetics, cancer, liver problem recovered within seven days. In my study, I found that Favipira shows efficacy in 91.6 per cent of patients," Islam said.

BAF physicians applied Favipira at their temporary hospital at BAF Shaheen College Kurmitola for 29 critical patients and of them, 28 recovered, said Md Abdur Nur.

Eskayef Pharmaceuticals has started distributing Favipiravir under the brand name Favipir, Mohammad Mujahidul Islam, director for marketing and sales, told The Daily Star.

"The good news for us is that the necessary drugs for COVID-19 patients' treatment are available in Bangladesh at this moment," he said.

Beacon Pharmaceuticals started commercial production from the first week of April, Monjurul Alam, global business director, told The Daily Star.

Bangladesh Medicine Society along with CRO IDESHI is conducting a clinical trial on patients, the trial protocol of which is approved by Bangladesh Medical Research Council

and the DGDA, he said.

The company has already received orders from different countries, including those in Latin America and East Europe. "We have adequate capacity to meet the country's own demand and can also export to all over the world," he added.

However, the medicine is now available in all of their 23 depots throughout Bangladesh.

About the price, Alam said each 200mg tablet would cost Tk 400 and one patient needed roughly 60 to 70 tablets.

Beximco has been producing the medicine in name of VIRAFULU and providing supplies to the DGDA for use, said Rabbur Reza, chief operating officer.

The company will not supply Favipiravir to pharmacies as the general public will needlessly stockpile it, he said.

Beximco is getting queries from other countries but an export order is yet to come, he said.

Renata will go for commercial production within a couple of weeks as demand has been created due to the rise of patient numbers, said Monowarul Islam, general manager.

"We are already prepared to go into production to help the government make the drug available for coronavirus patients," he said.