

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.03%	▼ 0.07%	\$1,754.20 (per ounce)	\$42.92 (per barrel)	▲ 0.45%	▲ 0.86%	▲ 0.2%	▲ 0.17%	BUY TK 83.95	93.37	103.60	11.71
3,963.35	6,814.00			35,066.94	22,630.69	2,634.92	2,970.30	SELL TK 84.95	97.17	107.40	12.31



# Star BUSINESS

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## Credit cards use depressing as pandemic rules the roost

AKM ZAMIR UDDIN

A good number of nations have cancelled international flights partially or entirely since February in order to tackle the spread of the novel coronavirus.

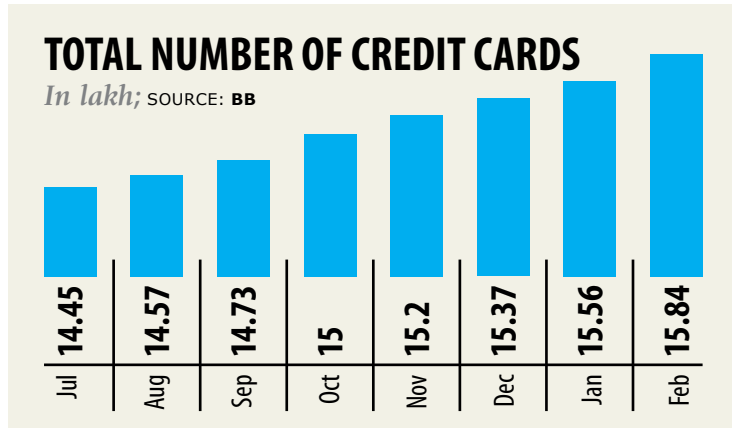
Consumers paid around \$35 billion for flights across the globe just before the coronavirus-induced pandemic. But they were unable to fly due to the lockdowns, according to the International Air Transport Association.

Clients used credit cards to pay more than 50 per cent of the bills for the flights, creating a difficult situation for the airlines company to refund the money as well.

This has also dealt a massive blow to banks globally as they usually earn a hefty profit in the form of service charges on credit card products.

"Bangladesh is not an exception," said Syed Mohammad Kamal, country manager of MasterCard Bangladesh.

Local clients make a majority of their payments for travel,



tourism and lifestyle products through credit cards. But the scenario has completely reversed due to the ongoing restriction on movement, Kamal said.

He, however, said clients have increased purchasing grocery items by using credit cards from their home to maintain the social distance.

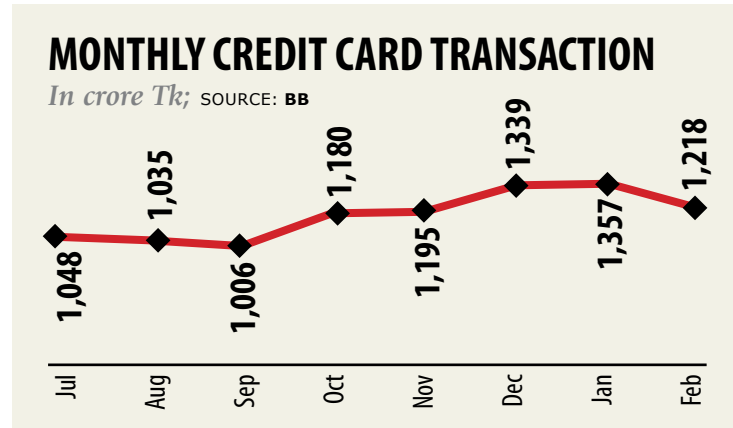
"But, the increased purchasing trend in grocery items has not filled up the vacuum."

Users of credit cards have maintained an upward trend in recent years thanks to a combination of banks' aggressive push, a growing aspirational middle-class and increasing awareness about the convenience the payment tool provides.

This has also played a positive role in building a cashless society, but now the whole process is in dire straits.

A large number of mid-level officials at corporate entities who account for the major portion of credit card-holders in Bangladesh have either lost jobs or faced a salary cut because of the collapse of incomes of their employers.

In addition, many of them, who are still on the payroll, are worried about their future as the meltdown lingers and cases of infections from the deadly virus rise.



"The situation has forced them to cut back on spending. As a result, the use of credit cards has decreased to at least 40-50 per cent," said a senior central bank official.

"We have been suffering a big loss from our credit card operation since the last week of March," said Mashrur Arefin, managing director of City Bank, which accounts for 35 per cent of the credit cards in circulation, the highest among all banks.

Between March and April, local transactions of City's credit card fell 41 per cent compared to the previous two months. The foreign transactions of the bank plunged 86 per cent at a time when transaction at point of sale terminals dropped 50 per cent.

The lender issued 8,000 credit cards from January and February and it nosedived to just 140 during the period of March-April.

"Online transaction is the major solution to tackle the ongoing situation. The volume has doubled from 5 per cent of our total transactions to 10 per cent. But this is not enough to keep the business afloat as overall infrastructure and mindset for online purchase is not yet ready," Arefin said.

Brac Bank, which is holding the second position in term of credit cards issued, is struggling to recover overdue loans from cardholders, said Md Mahiul Islam, its head of retail banking.

The bank's card transactions declined to one-third in June compared to a month before the pandemic struck. The lender has so far issued 178,000 credit cards.

Ecommerce transaction through credit cards is on the rise and this is a trend in the difficult time, Islam said.

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## Accept deferred payments to benefit both nations: FBCCI to India

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the country's apex trade body, on Monday demanded that India accept deferred payments of up to 240 days for more value addition and jobs in the bilateral supply chain.

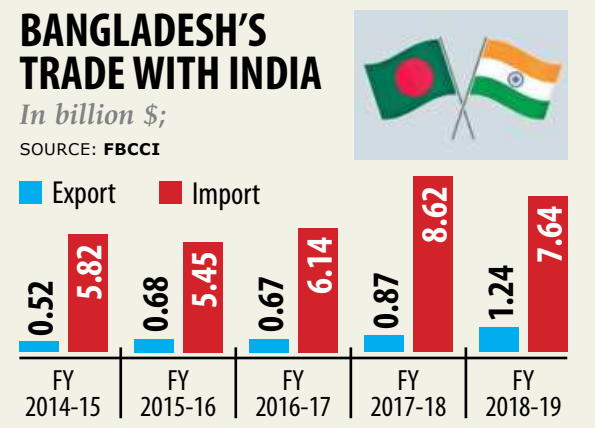
India is currently the second largest import source for Bangladesh after China. Indian businesses supply a majority of the industrial raw materials required by Bangladesh with an annual export value of about \$8 billion through formal channels.

Western retailers and brands are deferring payments to local manufacturers and exporters due to the Covid-19 crisis and so, allowing the same for the latter while maintaining healthy supply chains can stimulate businesses, protect existing jobs and create new ones for both nations.

Job creation and investments through Bangladesh-India joint ventures are the best way to benefit both nations and to stimulate the economy amidst the coronavirus fallout, said FBCCI President Sheikh Fazle Fahim.

Fahim made these comments while addressing a webinar themed, 'India-Bangladesh Trade and Investment: Stakeholders Interaction', jointly organised by the Federation of Indian Chambers of Commerce and Industries (FICCI) and the Indian high commission in Bangladesh.

Currently, bilateral trade with India stands at about \$9 billion.



"And due to the Covid-19 realities... joint investments that are a part of the value chain for products and services, of which raw materials are from India, finished goods are in Bangladesh, used in production in Bangladesh and re-exported to India and beyond, is a strategy that I think both nations would benefit from," Fahim said.

Exploring opportunities in light engineering, a value chain initiative with raw materials from India and production in Bangladesh, will be another complimentary initiative in a long list of bilateral cooperation, he added.

Revising the provision on deferred payments will assist in increasing exports of backward linkage products from India to Bangladesh and exports to India and beyond through bilateral value chain initiatives, targeted towards global markets, said the FBCCI President.

Fahim also requested Indian stakeholders to consider extending deferred letter of credit payment facilities from Indian banks for 240 days.

The extended deferred payments should increase procurement volumes for enterprises presently engaged in diverse countries other than India, the FBCCI president also said. High import duties, particularly on passenger and commercial vehicles, come in the way of accelerating bilateral trade, mentioned Manoj Chugh, president (group public affairs) of Mahindra & Mahindra, as per an FBCCI statement yesterday.

"Suitable retail finance needs to be enabled for such products in the Bangladesh market," Chug said.

On his point on diversification of routes to ease the movement of goods to promote investment and trade, Fahim said they needed to think a little outside of the box as the conventions have been such in terms of cost effectiveness.

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## Authorities remain silent over fund embezzlement by BPC partner firm

Investigation stalled by Covid-19: ACC deputy director

MOHAMMAD SUMAN, Chattogram

Legal action is yet to be taken against Standard Asiatic Oil Company Limited (SAOCL), a partner company of Bangladesh Petroleum Corporation (BPC), which was found to be embezzling Tk 134 crore in two years.

The power ministry and the Anti-Corruption Commission (ACC) continue to remain silent over the matter although evidences were found against two officials of SAOCL through an ongoing investigation being conducted by the BPC.

Moinuddin Ahmed and Mohammed Shahed are the director and general manager of SAOCL, which owns a 50 per cent stake in BPC. The pair allegedly misappropriated the funds between 2011-18, according to the primary investigation report.

Initial findings suggest that the total amount of money embezzled from SAOCL could actually be much higher, BPC officials said.

Ahmed represents the shareholders from the Asiatic Oil Company Limited (AOCL), which owns a 50 per cent stake in SAOCL. The rest of the oil blending company is owned by BPC and is represented by Shahed.

"Ahmed and Shahed are getting away due to the ministry's indifference on the matter and ACC's prolonged investigation. SAOCL plans to show unusual profits during the upcoming AGM on June 25 by covering up the irregularities," the BPC officials added.

In March this year, SAOCL issued a letter to AOCL, requesting a Tk 124.24 crore payment for outstanding sales in the previous year although it initially

demanding only Tk 1.74 crore just two months back.

AOCL was allegedly shocked by the letter and, in their response, asked how SAOCL could make such an abnormal demand.

"Shahed and Ahmed are trying to cover their corruption by claiming such an abnormal sum is owed. We sent several letters to SAOCL to clarify the matter but they have not yet replied," an AOCL official told The Daily Star.

Only after objections were raised in this regard with the BPC and SAOCL's board of directors, a committee was formed to investigate the matter, he added.

Abu Monsur, chairman of the Board of Directors of SAOCL, insisted that the allegations of their demands being abnormal are baseless.

"For a long time now, products sold

between the two companies have not even been properly accounted for since AOCL owns 50 per cent of SAOCL. But since an investigation committee has now been formed, the truth behind who was responsible for losing track of so much money will surely come to light," Monsur told The Daily Star.

Regardless of the outcome, AOCL intends to reclaim the funds. If the company's demands are not met, then AOCL will recover the money by selling their stake in SAOCL, Monsur added.

Evidence proving the embezzlement of more than Tk 134 crore over a period of just two years has already been found. However, this value could be much higher as irregularities at SAOCL have been prevalent for the past eight year.

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## Budgetary grants raised to Tk 12,680cr to fight pandemic

REJAUUL KARIM BYRON and MD FAZLUR RAHMAN

The budgetary grants rose more than four times to Tk 12,680 crore in the next fiscal year on the back of a large block allocation to meet urgent health and social protection expenses.

The grants were Tk 2,983 crore in the revised budget and Tk 2,317 crore in the original budget in the current fiscal year.

Finance Minister AHM Mustafa Kamal has set aside Tk 10,000 crore for a fund to be used to mitigate the impacts of the deadly virus, which has so far infected 119,198 people in Bangladesh and killed 1,545.

"Whenever there is an emergency, we will use this fund, especially in the health sector," the minister said yesterday.

If money is needed to invigorate the rural economy and support the agriculture sector, the fund might be used, he said.

The fund would be used to buy equipment for the health sector, recruit doctors, nurses and other healthcare professionals, said an official of the finance ministry.

If needed, the government may go for another round of direct cash transfer to

the people who have been rendered jobless since the onset of the pandemic, he said. It may be used for expanding food support.

The government has already allocated Tk 2,500 to each of 50 lakh families whose bread-earners have lost jobs owing to the coronavirus-induced shutdown.

For FY21, the government has allocated Tk 100 crore in grants for the Integrated Health-Science Research and Development Fund, Tk 100 crore for recurring micro-credit under the rural social welfare programme and Tk 700 crore for compensation against the coronavirus-related health risks.

Tk 500 crore has been set aside to give cash assistance to the jobless poor affected by the coronavirus and another Tk 100 crore has been allocated to give special allowance to the frontline health staffers.

The provision of Tk 10,000 crore block allocation in the FY21 budget to fight the pandemic in addition to the allocation to the health ministry provides some comfort that funding will be available to meet emergency needs, said Zahid Hussain, a former lead economist of the World Bank Dhaka office.

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## HSBC lends Square Tk 1,000cr in Bangladesh's first sustainability-linked loan

STAR BUSINESS REPORT

HSBC Bangladesh has arranged the first sustainability-linked loan in Bangladesh as it lent \$118 million (Tk 1,000 crore) to Square Group to advance its renewable energy ambitions.

Under the arrangement, the credit terms of the existing working capital facility offered to Square Group will be linked to renewable energy usage by the conglomerate.

The deal was launched through a virtual session attended by Tawfiq-e-Elahi Chowdhury, energy adviser to the prime minister; Mohd Humayun Kabir, an executive director of Bangladesh Bank; Tapan Chowdhury, managing director of Square Group; Laura Galvin, regional head of international markets for commercial banking at HSBC Asia-Pacific and Md Mahbub Ur Rahman, chief executive officer of HSBC Bangladesh.

A sustainability-linked loan (SSL) aims to improve the borrower's sustainability profile by aligning loan terms to the borrower's performance against predetermined sustainability performance target benchmarks.

For example, the interest rate under the relevant loan agreement may be reduced if the borrower can reach its sustainability targets. One of the targets for Square Group is to avoid carbon emissions of up to 3,000 tonnes per year, according to a presentation at the launch.

By linking the loan terms to the borrower's sustainability performance, borrowers are economically benefited when improving their sustainability profile over the term of the loan, HSBC Bangladesh said in a press release.

The proposition will reward Square for improving their sustainability profile by aligning credit terms to a set of agreed sustainability performance metrics. If it can achieve the predetermined renewable energy targets mutually agreed upon with HSBC, it will become eligible for interest rate reductions for the loan.

Square Group, one of the signatories of the United Nations Global Compact, which encourages businesses worldwide to adopt sustainable and socially responsible policies and provide progress reports on implementation, has installed solar panels on factory roofs with the capacity to produce 2.6 megawatts of electricity.



A view of the solar panels installed on the roof of Square Textiles in Gazipur. The company plans to expand its renewable energy use.

HSBC

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