

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▼ 0.13%	▲ 0.14%	\$1,784.00	\$42.80	▲ 0.50%	▲ 0.72%	▲ 0.62%	▲ 2.01%	BUY TK 83.95	93.21	103.68	11.65
3,981.52	6,845.17	(per ounce)	(per barrel)	36,021.42	22,306.48	2,652.94	3,152.81	SELL TK 84.95	97.01	107.48	12.25



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Banks’ looming salary cuts: far-sighted or self-seeking?

AKM ZAMIR UDDIN

Opportunism. That is what comes to mind when one hears of the move by the Bangladesh Association of Banks (BAB), an organisation of sponsors of private banks, to usher in salary cuts for their staffs.

In an extraordinary letter to all banks last, BAB urged them to cut the salaries of staffs whose monthly wage is more than Tk 40,000 by 15 per cent for the period of July 1 this year through to December 31, 2021 as well as suspend promotion, increment and incentive bonus and put a freeze on all sorts of hiring including ongoing hiring.

And BAB’s rationale for this audacious recommendation? As per its observation, the interest rates on lending have been on the decline at a time when loan recovery is in negative territory.

Revenue generation from credit card and earnings from both exports and imports have also nosedived.

There were other reasons but these two seemed the most credible.

Never mind that last year banks’ net profit soared 87.6 per cent year-on-year to Tk 7,580 crore.

The letter prompted a veiled notice from the central bank on June 18, implicitly urging bank chiefs not to follow through with BAB’s recommendation.

In the notice, the Bangladesh Banks asked banks’ chief executives to take ‘all required measures’ such that the bankers feel regenerated and play a proactive role in implementing the government-announced Tk 103,000 crore stimulus package for revival of the coronavirus-battered economy.

“The role of bankers and staffs to keep the wheels of the economy rolling is undeniable during this hard time of the country. It will not be possible to make a turnaround of the economy and attain the desired goal of GDP without the active

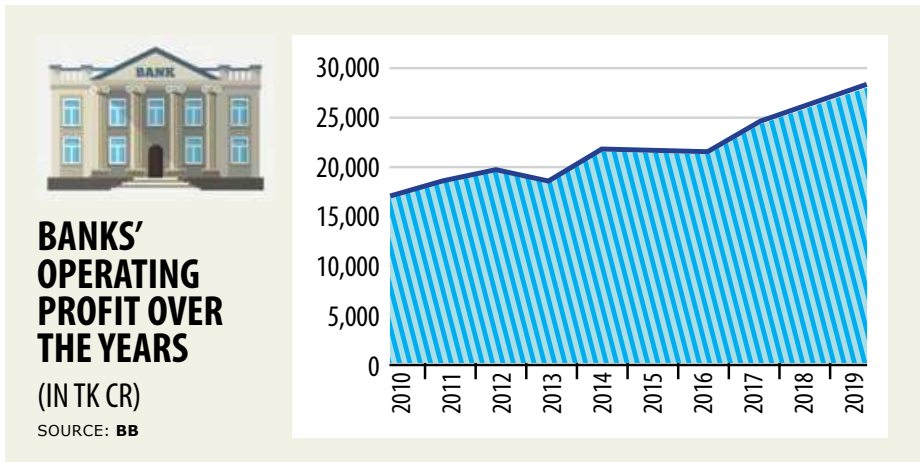
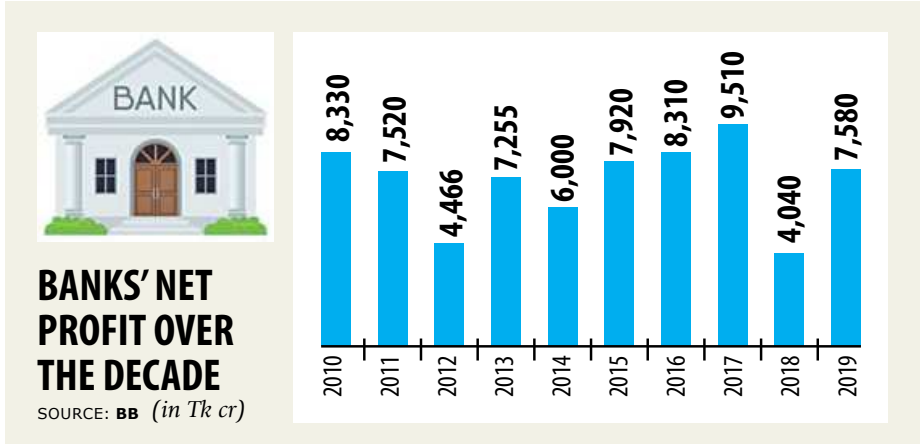


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participation of bankers and employees,” the central bank said in the notice.

In its notice yesterday, the BB did not mention the salary cut issue but asked the bank chief executives for taking all sorts of initiatives so that bankers and employees, infused with a new life, can play the role of front liners in executing the stimulus packages.

And yet, as many as five banks have already declared the implementation of the BAB recommendations and some others are taking preparation to do so, in a move that can have a domino effect on the economy although the sector employs just 1.5 crore

people.

Features of job in the banking sector are considered the benchmark in the private sector, said Zahid Hussain, former lead economist of the World Bank’s Dhaka office.

If banks cut the salary of their staffs, other corporate organisations will follow the same path.

“This is not the time to cut the salary as it would badly hit other sectors,” Hussain said.

If all sectors commence salary or job cuts, the economy will not get the much-needed turnaround; rather, the situation will get worse.

Demand will not pick up despite the implementation of the stimulus packages of more than Tk 1,031.17 billion, which

is nearly 3.7 per cent of the country’s gross domestic product, and the situation will give a big blow to the supply side.

The dwindling industrial production will face a prolonged situation if people do not improve their capacity to spend.

And given the profit trend of the country’s banking sector last year, the proposal of cutting the salary for the employees of banks is not logical, Hussain said.

“The economy has been facing the ongoing meltdown since the last week of March. The sponsors of banks have taken the decision of salary cut within just the two and a half months since the inception of the crisis.”

The logics are not appropriate as private banks in the country have been bagging hefty profits for years.

Besides, the sponsors of banks are ultra-rich in terms of their business profile but the BAB has not made any recommendation to scrap the honorarium of directors for their attendant in the board meetings, Hussain added.

The BAB’s judgment is completely illogical as the decision of cutting salary should not be implemented for all banks at the same time, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

“Manpower is the pivotal asset for every bank. And they are frontline workers to tackle the recession because of their role in implementing the stimulus packages.”

BAB should restrain from taking such decision in the days ahead in the interest of the banking sector, he said.

If any bank face problems due to the ongoing crisis, both the board and the management of the lender will take a decision on the issue. The bank will have to motivate their employees before taking such a decision, he said.

“Brac Bank will not implement the BAB’s recommendation as this will not bring any good for us,” said Mansur, also the chairman of the lender.

Asked managing directors of Mutual Trust Bank, Dhaka Bank and Pubali Bank whether the lenders will cut salary, they said that the banks have still enough strength in tackling the situation without taking such austerity measures.

Nazrul Islam Mazumder, chairman of the BAB, did not respond to a The Daily Star request for comment.

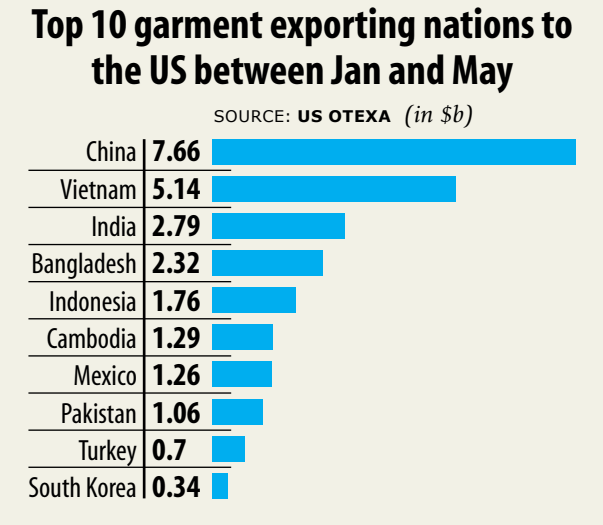
There will be rebound of apparel shipment to US. But it will be slow and steady.

REFAYET ULLAH MIRDHA

Bangladesh’s garment exporters expect a slow rebound of shipment to the US market, the country’s single largest export destination, this year as American buyers have been consumed by a confidence deficit amid an economic meltdown lurking round the corner.

Due to the coronavirus pandemic, garment export to the US plunged 12.50 per cent year-on-year to \$2.32 billion in the January-May period of this year, according to the Office of Textiles and Apparel (OTEXA) of the US.

Though retail stores in the US have started opening up gradually, it will take a lot of time for normalcy to return as consumers are still staying at home amid the fear of contagion, exporters said.



The pandemic has badly impacted the US economy bringing down sales of commodities including clothing items, they said.

“Garment shipment from my factory to the US market might not pick up soon although orders are coming back from the American buyers gradually,” AK Azad, managing director of Ha-Meem Group, told The Daily Star over the phone.

The US market accounts for about 80 per cent of Azad’s \$450 million annual shipments.

“Within December, I might get 70 per cent of the work orders I had received at the same time last year.”

However, everything is depending on the invention of a vaccine, he said, adding that the shipment to the American market will increase if the vaccine comes this year.

The export trend was positive in 2019 but after the coronavirus broke out, orders from the US have nosedived, said Mostafa Sobhan Rubel, managing director of Dragon Sweaters. Almost half the products of his company are destined to the US.

Many of his customers complained that their stores were not logging the expected sales even after the lockdown was withdrawn in most US states.

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Motorcycle sellers can’t believe their luck as pandemic ramps up sales

MAHMUDUL HASAN

When Bangladesh reported its first confirmed case of Covid-19 infection in early March, Saleh Mohammed Shuhel, the proprietor B. Baria Motors that sells motorcycles, had thought his business would not be spared from the claws of the raging disease.

To his utter surprise, the devastating impact of the countrywide shutdown put in place to stop the spread of the lethal pathogen has turned out to be a boon.

Sales at his showroom in Brahmanbaria have shot up by about 20 per cent over the last two months.

“Before the pandemic, I used to sell 40 to 45 units of motorbikes per month during good times. Now, the sales increased to 55 to 60 units,” Shuhel told The Daily Star yesterday.

The main reason for the surge in sales, he pointed out, is the fear of catching the virus, which can be spread mostly through physical contact.

Before the onset of the pandemic, people travelled daily for jobs or business purposes from Kasba, an



PRABIR DAS

upazila in the district, to the district centre, mostly by buses or CNG-run three-wheelers.

Now, they are afraid of the virus, compelling some of them to opt for the safer alternative of motorcycles, which allows the requisite social distancing needed to flatten the curve on coronavirus.

Motorcycle dealers from seven

more districts also confirmed their sales have risen 10 to 20 per cent over the last two months.

According to the dealers, apart from the anxiety over catching the infection, the recent increase in the fare of bus and CNGs is another cause for people to switch to motorcycles.

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Sonali Bank seeks Tk 10,000cr to meet BASEL III requirements

AKM ZAMIR UDDIN

State-run Sonali Bank has sought about Tk 10,000 crore as regulatory capital from the government in order to implement the BASEL III guidelines.

The bank sent a letter to the finance ministry in the last week of June requesting it to provide the capital support.

The fund will be used to manage its historical loss, an official of the bank said.

Sonali Bank incurred a cumulative loss of Tk 6,574 crore in 2007 when it became a corporate organisation.



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Govt to set up company to salvage soured loans

REJAUL KARIM BYRON and MD FAZLUUR RAHMAN

The government now plans to set up a state-run corporation to buy and trade distressed loans off banks as part of its efforts to clean up the financial sector.

The planned Bangladesh Asset Management Corporation (Bamco) would be run as a state-run entity by the Financial Institutions Division under the finance ministry.

The government had initially planned to set up a company to deal with the mounting default loans in the financial sector.

The division has prepared a draft of the Bangladesh Asset Management Corporation Act 2020(Bamco) to this effect.

The authorised capital of the planned corporation would be Tk 5,000 crore and the paid-up capital would be Tk 3,000 crore. A 15-member board led by a chairman would run it.

The corporation would set up a trading platform to buy and sell default loans and create a competitive market to trade distressed assets. It would be able to raise funds from the capital market by issuing bonds.

Despite several measures in Bangladesh, including the implementation of prudent measures in the banking system in 1990 and loan classification and provisioning with the international standards, the default loans in the banking system are still very high, according to the Asian Development Bank.

Defaulted loans stood at Tk 94,313 crore at the end of 2019, up 0.42 per cent year-on-year.

As of last year, reported default loans approached 9 per cent, with state-run commercial banks’ bad loans reaching 24 per cent, the International Monetary Fund (IMF) said recently.

The planned Bamco would take control of the assets of the defaulted individuals or firms, manage them and advise lenders to manage and



BANGLADESH ASSET MANAGEMENT CORPORATION			
- Authorised capital Tk 5,000cr - Paid-up capital Tk 3,000cr	- Its decisions to be final - Take over the assets of defaulted individuals or firms and manage them	Set up trading platform to buy and sell soured loans	- Advise lenders to manage and recover defaulted loans - Counsel borrowers

recover defaulted loans as well as advise borrowers.

If a borrower becomes sick, the corporation would stand by it. It would work as a government receiver if a borrower firm goes bankrupt, according to the draft act.

The draft act would be sent to the public administration ministry this month.

After approval by the cabinet and vetting by the law ministry, it would be sent to parliament to turn into law.

The status of the Bamco chairman would be equal to a deputy governor of the central bank.

The rest 14 directors would consist of a senior official of the finance

division, the financial institutions division, the commerce ministry, the Bangladesh Bank, the Bangladesh Investment Development Authority, the Insurance Development and Regulatory Authority, the National Board of Revenue and the Financial Reporting Council.

A certified accountant or financial analyst, an academic from a finance department of a university, a representative from the Attorney General Office, the Association of Bankers Bangladesh and the Federation of Bangladesh Chambers of Commerce and Industry would also be on the board.

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