

| STOCKS | | COMMODITIES | | ASIAN MARKETS | | | | CURRENCIES | | | |
|----------|----------|-------------|--------------|---------------|-----------|-----------|----------|------------|---------|--------|--------|
| DSEX | CSCX | Gold | Oil | MUMBAI | TOKYO | SINGAPORE | SHANGHAI | USD | EUR | GBP | CNY |
| 1.53% | 1.49% | \$1,954.90 | \$45.13 | 0.46% | 0.83% | 0.38% | 2.34% | 83.95 | 98.53 | 109.04 | 11.89 |
| 4,785.04 | 8,236.81 | (per ounce) | (per barrel) | 38,050.78 | 23,096.75 | 2,571.55 | 3,438.80 | BUY TK | SELL TK | 84.95 | 102.33 |
| | | | | | | | | 112.84 | 12.51 | | |

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Star BUSINESS

DHAKA TUESDAY AUGUST 18, 2020, BHADRA 3, 1427 BS • starbusiness@thedailystar.net

Banks dive into Treasury bills, bonds as interest income falls

AHSAN HABIB

Listed banks increased their investment in government and corporate bonds, securities and stocks in the second quarter of 2020 to offset the loss in interest income caused by the ceiling on lending rates.

Their investment in bonds and other securities rose 8.84 per cent to Tk 314,747 crore as on 30 June. Investment income surged Tk 842 core, or 49 per cent, to Tk 2,546 crore in the quarter.

The data was calculated based on the half-yearly financial statements of 25 out of 30 banks listed on the Dhaka Stock Exchange. The reports of Al-Arafah, Brac, ICB Islamic, Standard and United Commercial Bank are not available on their websites.

"As the interest rate of Treasury bills and bonds was high and banks did not need to keep provisions against the investment, it was better to invest into these instruments," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

The government capped the lending rate at 9 per cent and the deposit rate at 6 per cent on 1 April. As banks have had to comply, the net interest income of the lenders plunged 39 per cent to Tk 3,095 crore in the second quarter.

The spread, the difference between the lending rate and the deposit rate, fell to 2.5 per cent to 2.75 per cent in the April-June quarter due to the single-digit lending rate.

"So, the interest income was expected to receive a major blow," Rahman said.

Although the lending rate went down to 9 per cent, many of the banks could not bring down the deposit rate to 6 per cent. One bank is still offering deposits at 7.5 per cent, according to Rahman.

As Bangladesh's trade with the rest of the world plummeted during the quarter because of the coronavirus pandemic, banks' earnings from commissions and charges also fell.

The commission and charge income dropped 24 per cent year-on-year to Tk 1,110 crore. The profits declined 35 per cent to Tk 1,263.97 crore in the second quarter due to the lower interest income and commission on their services.

Bangladesh's export earnings plunged 16.93 per cent to \$33.67 billion in the just-concluded fiscal year, the lowest in five years, as the pandemic brought global trade to its knees.

"Some banks will try to increase their investment in Treasury bills and bonds to make profits but they will have to expand their loan books because the interest rate on government bills and bonds has already been cut," Rahman said.

The interest rate on Treasury bills and bonds came down to 8.1 per cent from 9 per cent.

The current half of the year would be more challenging as the two quarters will suffer from the problem of the lower interest income, Rahman said, adding that banks saw a higher interest income in the first quarter.

"Moreover, the country has been affected by floods and we still don't know when the pandemic will pass."

The banking sector's future will also hinge on the orders the garment sector would receive in the spring.

A top official of another bank, which has increased investment in bonds and securities significantly, said as the outbreak of coronavirus was getting out of control during the second quarter, there were no other options but to raise investment in bonds, securities and some other safe instruments.

"Most of the banks did this."

Of the 25, 19 banks bought more bonds and securities, but this did not spare them from losses.

"We failed to halt the profit fall during the period. Profits of a bank can't be ensured from these investments alone," the banker said.

The stock market was not the beneficiary during the period either.

DSEX, the benchmark index of the Dhaka Stock Exchange, dropped 0.47 per cent to 3,989 on 30 June compared with 25 March.

"The stock market was riskier, so we were not interested in investing in the speculative market. But now we are putting some money into the market," the banker said.

Kamal lets rip at CPD for questioning GDP figure

STAR BUSINESS REPORT

Finance Minister AHM Mustafa Kamal yesterday ripped into the observations of the Centre for Policy Dialogue (CPD) about the country's economic growth for the just-concluded fiscal year.

"The CPD guesstimates," he said, at a virtual meeting with income tax officials.

On Sunday, the CPD raised questions over the economic growth figure of 5.24 per cent estimated by the Bangladesh Bureau of Statistics (BBS) for fiscal 2019-20.

The obvious repercussions of the pandemic on the economy were not adequately reflected in the provisional GDP growth estimate released by the statistical agency last week, the think-tank said in its review.

Economic growth figures are used as a tool to gain leverage in politics, said CPD Executive Director Fahmida Khatun at a virtual press briefing on Sunday.



AHM Mustafa Kamal

But Kamal said: "We did not say that we have achieved 8.2 per cent GDP growth; we said that we achieved 5.2 per cent growth based on data, not based on assumption."

"CPD could have raised questions had we said that we achieved 8.2 per cent growth rate. The whole world believes the figures we come up with. CPD may not believe the figures," he added.

The BBS estimate beat forecasts by the Washington-based multilateral lenders World Bank and International Monetary Fund that the economy would grow between 1.6 per cent and 3.8 per cent in fiscal 2019-20 for the pandemic-whiplash.

The Asian Development Bank said the Bangladesh economy would expand at 4.5 per cent while the CPD earlier projected that the GDP growth would be no more than 2.5 per cent.

"You can realise whether the economy is growing or not just by looking at rivers, canals, roads, industries and the rural economy. You don't need mathematics for this," Kamal said.

The economic figures are given based on two things: one is an assumption and the other is based on data. The BBS presents figures on various economic sectors based on data, Kamal said. Whenever a budget is around, CPD makes observations and this has been going on for a decade.

"We are the raw materials for the CPD. CPD is engaged in commerce based on the data we provide. It is their business and it is an easy business. However, whenever we said something, it turned out to be true in the end."

The finance minister alleged that CPD does not see power plants, mega projects and revenue generation.

The revenue generated in the last fiscal year almost the same as in the previous year, Kamal said.

"Fiscal 2018-19 was normal. But we faced huge challenges last fiscal year. But the revenue generation fell short by only Tk 5,000 crore from what we achieved in fiscal 2018-19. This shows how much GDP growth the country posted."

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Only high-priority projects this fiscal year

Govt instructs ministries and divisions

REJAUUL KARIM BYRON

The government has directed ministries and divisions to pick high-priority projects from the list of the unapproved schemes in the annual development programme as development work has been hamstrung by revenue shortage caused by the coronavirus pandemic.



The country would require Tk 924,203 crore to implement all of the 1,626 ongoing development projects. The government has, however, allocated Tk 204,144 crore for ADP this fiscal year.

"At the current pace of allocation, it would take more than five years to implement the projects," said the planning ministry in a report.

The government has allocated Tk 495,097 crore as of June for the ongoing development projects included in the ADP.

There is a huge difference between the need for financing and the fiscal space, the report said.

The report was presented at a meeting of the secretaries on 10 August.

Planning Minister MA Mannan convened the meeting to prepare a roadmap to ensure full implementation of the ADP this fiscal year after development expenditure fell to a 27-year low last fiscal year.

The ministry said a limited number of projects should be undertaken for the sake of planning and fiscal discipline while adopting a project.

There are 1,347 projects in the current ADP that have not secured any allocation yet.

Most of the times, projects are undertaken without a proper feasibility study and technical design, ignoring instructions from the Executive Committee of the National Economic Council (Ecnc) to do so. As a result, the schemes go through revisions for a number of times during the implementation period.

Sometimes, projects are taken up because of the pressure from influential

groups or politicians and only a small amount is allocated for them every year, said an official of the planning ministry.

"It would not be appropriate to prepare a project for approval if it is undertaken without a feasibility study and technical design," the report said.

A feasibility study may be carried out before a ministry or division initiates an investment project. The ministry or

division may approve a feasibility study involving up to Tk 5 crore.

Sometimes, the project is scaled down and then it gets approval. Later, initiatives have to be taken to revise it when its scope expands during the execution phase.

As a result, ongoing projects are not complete as per the schedule and the progress of the work is interrupted, depriving the people of benefiting from them.

If the cost of projects goes up, it would be logical to implement the approved projects within the deadlines before undertaking any new ones, the report said.

The planning ministry has written to all ministries and divisions, instructing them to take steps to classify the projects as high, medium and low priority.

The ministries and divisions may only assess the high priority projects by taking into consideration the required assets or liabilities of the ongoing projects and the projection on the mid-term budgetary framework.

The ADP has targeted to finish off 381 projects in the fiscal 2020-21.

An inter-ministerial meeting can be called in November or December to ensure adequate or increased financing to complete the projects, the planning ministry report said.

Some 317 projects were up for completion in the last fiscal year. Of them, 137 projects could not be finished because of the coronavirus pandemic.

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Rawhide traders down in the dumps

Tanners offer low prices to producers, traders

REFAVET ULLAH MIRDHA

Seasonal traders of rawhide have been left disappointed by this year's sales as the price for untanned leather has remained low for two consecutive years now.

During Eid-ul-Azha, a three-day Islamic celebration that began on 31 July, nearly one crore heads of cattle were sacrificed by the general public.

Most of the leftover animal hides are collected by various traders, who then

prepare the skins for sale to tanners or appointed dealers.

However, for the past two weeks, traders at major rawhide markets in Dhaka, Palashbari, Tangail, Mymensingh, Jessore and Chattogram have all reported receiving low prices for the product.

Ful Kumar, a seasonal rawhide trader at the Shambhuganj rawhide market in Mymensingh, had sourced 1,000 rawhides at Tk 500 to Tk 550 per piece from the field level.

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Uber desperate to get its Moto service up and running again

Bangladesh was the fastest growing market for the service before pandemic hits

MAHMUDUL HASAN

With the ongoing coronavirus pandemic continuing to propel contactless transactions, Uber's recent partnership with bKash on enabling automatic trip-end payments is paving the way for a bigger vision for the San Francisco-based tech giant.

Through the partnership, Uber aligned itself one step closer to the "Digital Bangladesh" narrative, Nandini Maheshwari, a director for business development at Uber APAC, told The Daily Star in an interview last week.

Uber and bKash last week announced a partnership allowing riders to pay for their trips using bKash and enabling customers to make transactions without any manual intervention once the bKash wallet is added as a payment method on the Uber app.

"We are very impressed and humbled by what bKash has built. It's truly fabulous."

But this is the first leg of the innovation that Uber has in the works for the Bangladesh market.

"We are committed to evolving our services into what the consumers in Bangladesh want."

Asked if Uber has plans to bring on board the other mobile financial service (MFS) providers of the country like Nagad and Rocket, she answered in the negative.

"Currently, our focus is to grow the adoption of the bKash platform and make it a very, very



Nandini Maheshwari

Uber

successful partnership. We have many other ideas that we want to evolve with bKash."

Asked if Uber has a plan on setting up a payment gateway with a Bangladeshi bank as issues remain over card payments for

Bangladeshi Uber riders when travelling abroad, she responded in the positive.

"I have spent some time broadly on payments in Bangladesh," said Maheshwari, who was an investment banking associate for technology, media and telecom at JP Morgan before taking up the role of business development lead at Uber India in November 2015.

Bangladesh has several restrictions and seeks domestic processing of card payments as opposed to international processing.

"A majority of the 69 countries where Uber has a presence have standard processing that we apply to most markets," she said, adding that Uber was actively working towards localised processing of card payments.

Asked if Uber has a plan to introduce Uber gift cards such that customers can load their accounts on credit so that it can be used to pay for rides when travelling abroad as a workaround to the card problem for Bangladeshi riders, she was not so optimistic.

"Gift cards are a great product. We have those gift cards in several markets around the world, including India, and it went down quite well. We have Bangladesh under consideration."

Normally, gift cards are almost impossible to use outside of the home market. And that is an issue where the central bank guidelines come into play.

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