

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.13%	▲ 0.13%	\$1,857.78	\$41.79	▼ 2.96%	▼ 1.11%	▼ 1.22%	▼ 1.72%	BUY TK 83.95	96.80	105.76	12.09
4978.77	8,523.90	(per ounce)	(per barrel)	36,553.60	23,087.82	2,450.82	3,223.18	SELL TK 84.95	100.60	109.56	12.71

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BB caps interest rate on credit card loans

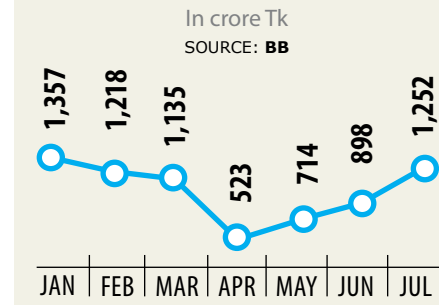
AKM ZAMIR UDDIN

The central bank yesterday capped the interest rate on credit card loans at 20 per cent in a relief for clients as they would get rid of the burden of higher interest amid the pandemic.

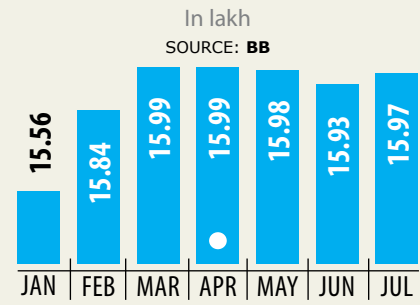
for all loan products in Bangladesh.

As per a previous instruction of the central bank, banks were allowed not to impose more than 5 per cent on top of the highest interest rate of a consumer loan for the amount of the outstanding loan of a credit card. The provision helped

MONTHLY CREDIT CARD TRANSACTION



TOTAL NUMBER OF CREDIT CARDS



Banks charge between 25 and 27 per cent interest on credit card loans, way higher than the 9 per cent interest rate ceiling applicable

banks enjoy more than 25 per cent interest against their disbursed loans through credit cards. In April, the central bank had imposed the interest rate ceiling of 9 per cent for all loan products except the credit cards.

Had the Bangladesh Bank followed the previous provision, lenders would not be permitted to levy a maximum of 14 per cent interest on credit cards, a central bank official said.

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RAJIB RAIHAN

Jhum or shifting cultivation is practised by indigenous communities around the world, including Bangladesh's Chattogram hill tracts. The high ground is cleared by burning the vegetation, the resulting ash helping to keep the soil nourished for a few years. This goes on in rotation, allowing periods for exhausted hills to regenerate vegetation, an effective model for sustainable agriculture. The choice of crops is designed to provide harvest round the year, with paddy grown mostly during the monsoon. The photo was taken at Mro Para in Chimbuk area of Bandarban recently.

Spinners treading a tightrope

Their investment plans to boost local capacity, cut imports pushed back by pandemic

REFAAT ULLAH MIRDHA

Spinners' plans to pour in hundreds of crores of taka to expand domestic capacity and slash reliance on foreign markets have been pushed back by the coronavirus pandemic, forcing local exporters to continue footing more than \$5 billion in annual import bills for yarn and fabrics.

In Bangladesh, local garment exporters have started manufacturing high-end garment items, raising the demand for specialised yarn and fabrics such as the yarn from PET bottles, man-made fibre and durable fabrics used in sports garments and activewear.

This prompted top spinners and weavers to invest in the production of specialised yarn and fabrics.

Bangladesh has witnessed heavy investment in the spinning sector, the main pillar of the country's primary textile sector, over the last four decades because of higher export of apparels. The investment in weaving is relatively low.

The combined investment in the primary textile sector has reached more than \$10 billion, of which 60 per cent took place in the spinning sector and the rest in the dyeing, finishing, weaving and washing sectors.

Consequently, local spinners can supply 40 per cent of raw materials for the woven sector. Garment exporters import specialised yarn and fabrics from China, India, Pakistan, Vietnam, Malaysia, Turkey and Indonesia.

Although investment had been taking place gradually in the production of the raw

KEY POINTS

- ▶ Hundreds of crores of taka are in the pipeline for investment
- ▶ Spinners interested to produce specialised yarn and fabrics due to increased demand
- ▶ Local spinners can meet **90%** demand in knitwear sector and **40%** in woven
- ▶ Of total investment in primary textiles at \$10 billion, spinning mills account for **60%**
- ▶ Bangladesh has **500** spinning mills **450** of which are active
- ▶ Local spinners help reduce lead time significantly



materials, the pandemic has put the plans on hold.

"I was supposed to start constructing a big spinning mill in Narsingdi in March spending Tk 450 crore. However, I had to delay the project and I hope that I will be able to start in November," said Abdullah Al Mahmud Mahin, managing director of Mahin Group, one of the leading garment manufacturers.

The planned spinning mill will produce

specialised yarn from US cotton. The yarn would be used to make fabrics at the group's weaving factory for its international customers such as Hugo Boss, Abercrombie & Fitch, Tommy Hilfiger, Calvin Klein, PVH, H&M, M&S, Esprit and s.Oliver.

Mahin is going to set up the new spinning mill to produce the raw material on his own as he now has to rely on imported yarn from India, Indonesia, Vietnam, Turkey

and Malaysia.

Of the proposed investment amount, 60 per cent will come from foreign sources and the rest from local and own funding, said Mahin, whose weaving mill consumes 50 tonnes of yarn every day.

The planned mill will produce 30 tonnes of yarn daily, which will meet 60 per cent of the demand of the weaving mill. The rest of the requirement would be met through imports.

MA Jabbar, managing director of DBL Group, one of the leading garment groups, said he would start the construction of a spinning mill at the group's economic zone in Habiganj in June or July next year to produce specialised yarn.

"I have a target to invest Tk 400 crore initially in the proposed spinning mill to produce specialised polyester yarn for our factories," Jabbar said. Currently, the entrepreneur imports specialised yarn.

Many investors are coming up with new proposals for setting up spinning mills because the demand for yarn and fabrics has been increasing as the garment export is on the rise, said Monsoor Ahmed, secretary of the Bangladesh Textile Mills Association (BTMA).

Most of the investments are coming in the recycling yarn manufacturing as the demand for man-made fibre is rising globally, he said.

Bangladesh is one of the largest cotton yarn producers in the world. However, the ratio of cotton yarn and man-made fibre production has reached to 80 per cent and 20 per cent in recent years as local entrepreneurs invested money in the manmade fibre production, Ahmed said.

The construction of a Tk 115-crore plant of Debonair Group for the production of yarn from collected PET bottles in Bhaluka has come to a halt because of the pandemic, said Mohammad Ayub Khan, managing director of Debonair Group.

"We will re-start the construction next year in our convenient time," he said.

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BB cuts interest rate on stock investment fund

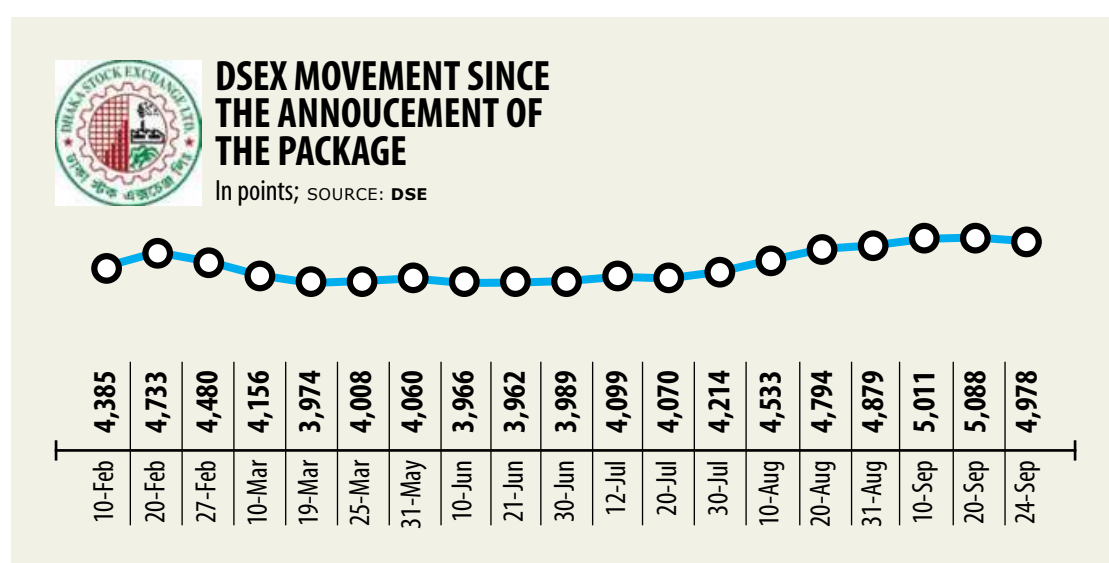
STAR BUSINESS REPORT

Bangladesh Bank has reduced the interest rate on borrowing from its special investment fund, aimed at helping the country's lenders increase their stock investment capacity.

"The interest rate was 5 per cent when the special investment fund was announced but it has been reduced to 4.75 per cent now," the central bank said in a circular yesterday.

On February 10, it was announced that local banks could set up a Tk 200 crore fund using repurchase agreements (repo), which refers to a system of short-term financing mainly through the purchase of government securities.

After the current repo tenure comes to an end, a new and lower repo rate will be introduced, it added. Under the existing repo programme, the repayment



duration is between 1 to 28 days as per Bangladesh Bank regulations.

On the day the package was rolled out, Tk 340 crore worth of shares were traded at the Dhaka

Stock Exchange (DSE) while DSEX, the benchmark index of the country's premier bourse, was far lower than usual at 4,385 points.

In order to boost Bangladesh's

ailing stock market, the central bank issued the special investment fund with a credit tenure of up to February 2025 and besides, the Tk 200 crore fund will not be

counted as market exposure.

Within six day of the announcement, the DSE's average daily turnover rose to Tk 1,021 crore while the index jumped up to 4,740 points.

Around 15 banks to advantage of the special package, forming a collective fund of about Tk 1,700 crore to invest in the stock market.

Apart from listed stocks, the banks are allowed to invest the fund in all kinds of bills and bonds, such as corporate, debenture, government and even asset-based or Sukuk, a shariah-compliant bond-like instrument used in Islamic finance.

However, the coupon or interest rate for any listed corporate bond or debenture needs to be at least 10 per cent, the central bank said.

But if a bank invests in an asset-based or Sukuk bond, then it should have coupons or profits of at least 8 per cent, it added.

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Online air ticket purchase made easier

STAR BUSINESS REPORT

The central bank will now allow international credit and debit cardholders to purchase air tickets online while staying in Bangladesh for travelling from one foreign country to another.

For example, for a tour to New York via Thailand from Bangladesh, the cardholders earlier were not allowed to purchase air tickets from Thailand to New York while sitting in Bangladesh.

Yesterday, the banking regulator withdrew the bar through a notice. Now the international cardholders can purchase the tickets for travelling from one foreign country to another by online card payments from Bangladesh.

The Bangladesh Bank also allowed Bangladeshi travel operators to provide ticketing services to travellers proceeding abroad for journey to destinations outside Bangladesh against payment by international cards.

In this context, banks will have to provide acquiring services to travel operators in Bangladesh for capturing online payments by international cards against sales of air tickets.

But travel operators have to ensure that they have relevant registrations, permissions, licences, including membership with trade association representing the sector.

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