

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	BUY TK	EUR	GBP	CNY
0.14%	0.19%	\$1,856.30	\$41.92	37,388.66	23,204.62	2,472.28	3,219.42	83.95	96.57	106.04	12.09
4,971.61	8,506.69	(per ounce)	(per barrel)					84.95	100.37	109.84	12.71

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Stimulus packages fuelling private credit growth

AKM ZAMIR UDDIN

Private sector credit growth extended its gains for the second straight month in August driven by loans given under the stimulus packages aimed at reviving the economy.

The year-on-year credit growth stood at 9.36 per cent in August, up 9.20 per cent from a month earlier, according to data from the central bank.

Credit growth had decreased in the two years to April before increasing in May and declining once again in June. It started an upward trend in July, a sign of the steady recovery process of the country's economy.

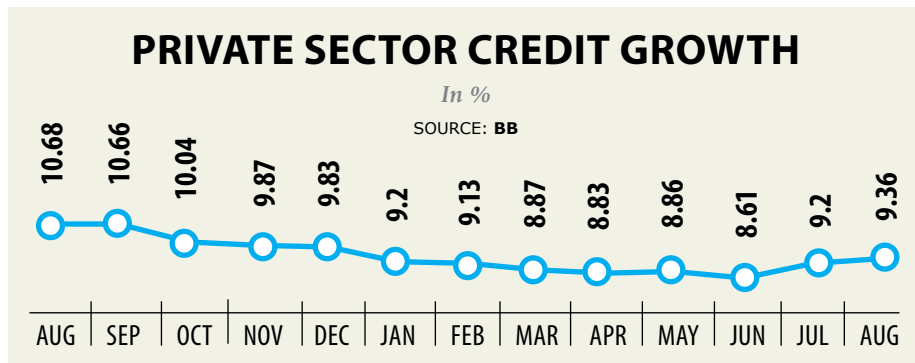
The outstanding loans in the private sector stood at Tk 11,01,676 crore as of August in contrast to Tk 10,95,202 crore in the previous month.

"The implementation of various stimulus packages has given a boost to the country's private sector credit growth," said MA Halim Chowdhury, managing director of Pubali Bank.

Banks have so far disbursed 80 per

AT A GLANCE

- » Credit growth has been on the rise for the last two months
- » The trend may continue in the months ahead
- » Stimulus packages helped boost the growth
- » The ongoing recovery process put positive impact
- » Credit demand from infrastructural, health, textile and food sectors is rising
- » Banks are still facing excess liquidity despite the growth



cent of the Tk 33,000 crore that has been allocated for the large industries and service sector under the central bank's stimulus package. But the implementation of the stimulus packages for small and medium enterprises (SMEs) and the farm sector has yet to reach a satisfactory level.

Banks are now trying to expedite the loan disbursement in the two sectors as the central bank is emphasising on the issue, Chowdhury said.

Lenders have been sitting on excess liquidity for the

last couple of months as the central bank has injected funds into the market in different forms to revive the economy, said Emaranul Huq, managing director of Dhaka Bank.

In addition, credit demand from the private sector is yet to reach a strong position as had been in the pre-Covid-19 period, he said.

Despite that, banks are looking for avenues for investment to keep the wheel of their profitability moving, he said.

Activities in some areas of the private sector have recently picked up, in a very positive development for the financial sector. Companies from steel, cement, health and food sectors now apply for fresh loans, which are gradually widening the loan books of banks, Huq said.

The construction of the mega infrastructural projects has resumed, putting a positive impact on credit growth. "The credit-deposit ratio in my bank

declined to 81 per cent during the lockdown period. But the ratio now stands at 84 per cent," said Huq.

But banks are still cautious in giving out loans to the sectors that have been affected by the recession as they believe the repayment could be hampered, he said.

He acknowledged that the implementation process of the stimulus package for the SME sector had achieved less than what was expected.

Profit of a large number of SMEs is mainly dependent on two large religious festivals: Eid-ul-Fitr and Eid-ul-Azha. But this year the festivals were celebrated amidst the pandemic when the economy was struggling to survive.

Against this backdrop, the production of the industries faced a major setback as people cut their spending massively to protect themselves from financial hardship, Huq said.

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Entrepreneurship support fund awaits a boost

STAR BUSINESS REPORT

The central bank has amended its entrepreneurship support fund (ESF) guidelines for food-processing, agriculture and ICT sectors to make them more entrepreneur-friendly.

Yesterday it published a complete ESF guideline and ones on the expression of interest (EOI) forms.

It also sought applications from entrepreneurs who want to secure loans from the fund for the initiatives in the food-processing, agriculture and ICT sectors.

The new guideline defines a woman entrepreneur as someone who owns at least 51 per cent share in an entity and would head the project as the managing director.

Costs ranging from Tk 0.80 crore to Tk 5 crore would be considered for loans from the ESF fund in case of food processing and agro-based projects. It would be a maximum Tk 12 crore for machinery-intensive projects.



For women-led projects, the lower limit of the project cost would be Tk 0.5 crore.

Entrepreneurs would have to invest 51 per cent of the project cost as equity and the rest 49 per cent would come from the ESF in the form of term loans, according to the Entrepreneurship Support Fund (ESF) Guideline 2018 (Amended).

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Tax collection rebounds in August

SOHEL PARVEZ

Revenue collection rebounded in August after remaining downbeat for four months since April, thanks to recovery in business and economic activities that buoyed overall receipts.

Provisional data from the National Board of Revenue (NBR) showed that collection grew in all areas, with imports driving the rebound followed by value added tax (VAT) and income tax.

In August, taxmen collected Tk 15,406 crore, a rise by 7.85 per cent from the same month a year ago.

Despite August's recovery, overall collection was nearly the same when comparing the July-August period year-on-year.

It has edged up marginally to Tk 30,163 crore from Tk 30,113 crore, data from the NBR showed.

"It is good to see that revenue collection is regaining pace owing to revival of economic activities. Collection will be on the upward if there is no crisis in the coming days," said Md Anwar Hossain, director general (research and statistics) of the NBR.

Revenue collection slumped in April as business and economic

activities collapsed after the government declared a general holiday and shutdown to slow the spread of the Covid-19 pandemic in the country.

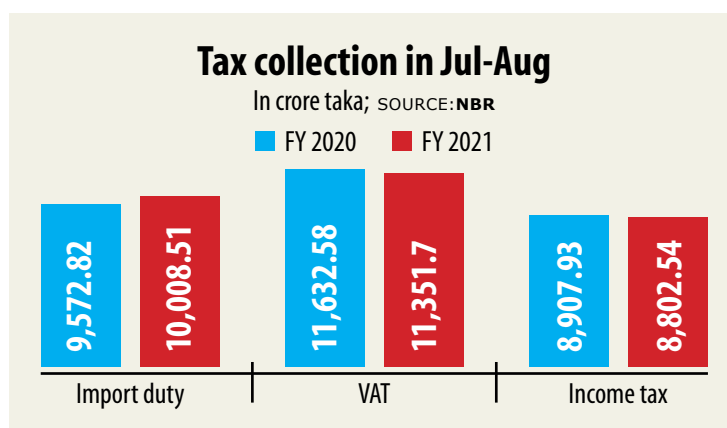
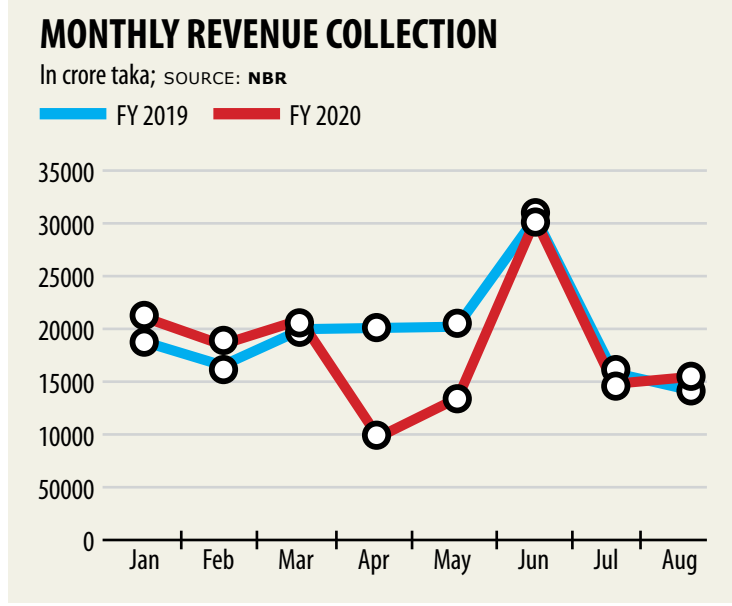
Collection improved in the later months as businesses gradually reopened.

However, overall tax receipts continued to remain in the

negative and the NBR posted negative growth last fiscal year which ended in June, for the first time since the nation gained independence.

In July, tax collection declined 6.7 per cent from that in the same period a year ago.

The NBR data showed that collection of taxes from import



and export activities soared 16.87 per cent year-on-year to Tk 4,992 crore in August from the same period a year ago.

The VAT collection from domestic economic activities grew 5 per cent year-on-year to Tk 5,731 crore in August from that in the same month the previous year.

Income and travel tax also increased in August.

However, income tax and VAT receipts remained below last year's collections of the July-August period.

Collection of customs duty had been in the upward in the July-

August period compared to the same period a year ago, showed the NBR data.

For the current fiscal year, the government assigned the NBR to collect Tk 330,000 crore to finance the budget.

And the latest collection fell short of the target for the first two months of the fiscal year 2020-21.

Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue, said the shortfall of revenue collection would be a major constraint for the government.

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MFI to get more money to lend under stimulus package

STAR BUSINESS REPORT

Microfinance institutions (MFIs) will receive more funds from banks under the government's Tk 3,000-crore stimulus package for distribution among the pandemic-hit clients after the central bank raised the ceiling on the loans they can secure from commercial lenders.

On April 20, Bangladesh Bank unveiled the refinance scheme for low-income professionals, marginal farmers and micro-enterprises to keep them afloat.

Marginal businesses and farmers with no access to banks and non-bank financial institutions will be allowed to get loans from the revolving fund.

At the time, the central bank had said a bank could lend up to 30 per cent of last three years' average loan to an MFI or 2 per cent of the Tk 3,000 crore stimulus package, or whichever was lower.

But yesterday the central bank raised the ceiling from 2 per cent to 5 per cent, according to a circular.

Under the package, the BB will initially provide the fund to banks at 1 per cent interest, which they will lend to MFIs at 3.5 per cent interest. The MFIs will be allowed to charge a maximum of 9 per cent interest to borrowers.

Small businesses like roadside tea stalls can get loans, the highest amount of which would be Tk 75,000. If the small businesses are owned by more than five persons, the loan ceiling would go up to Tk 3 lakh.

The loans must be paid back within a year.

But MFIs will be allowed to disburse loans ranging from Tk 10 lakh to Tk 30 lakh to micro-enterprises and their repayment duration would be two years.

The duration of the revolving scheme is three years and the volume of the fund will be widened if required, said the BB notice in April.

Only 1 in 1,960 small firms got soft loans from govt's revamp funds

Finds survey that focused mainly on light engineering sector

STAR BUSINESS REPORT

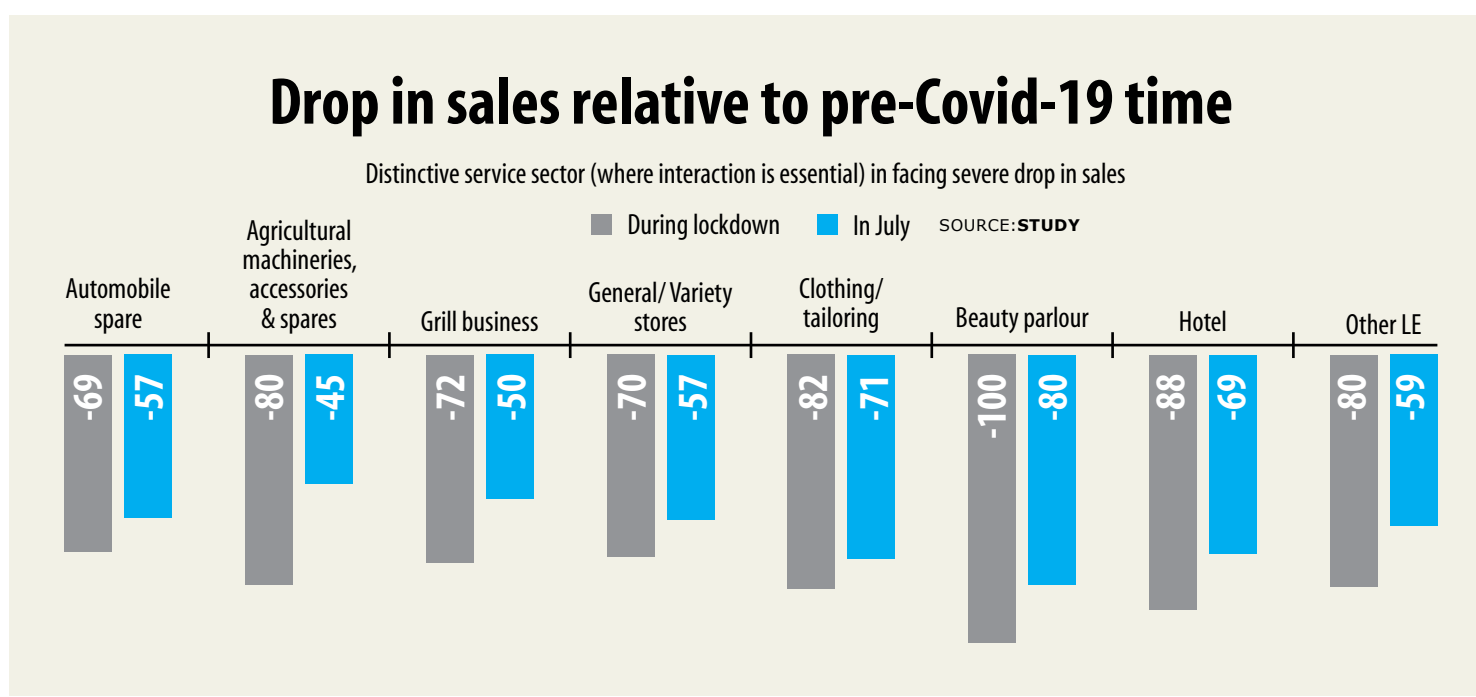
Just a single firm out of 1,960 pandemic-hit cottage, micro and small enterprises mainly in the light engineering sector has received the soft loan from the stimulus package, according to a study.

The disclosure painted a bleak picture as they suffered the most because of the coronavirus pandemic. At the same time, they would also be at the front during the recovery process.

In order to enable them to make a comeback, the government has announced a Tk 20,000-crore stimulus package for the CMSME sector.

However, most of the enterprises could not avail the money from the fund because of stringent conditions, a lack of information, a lack of cooperation from banks and small portfolios of the enterprises, according to the study by the Brac Institute of Governance and Development (BIGD).

The study found that 1,226, or 63 per cent out of 1,960 surveyed enterprises know about the stimulus package. Three per cent of the



enterprises applied for the support. But 1,000, or 54 per cent of the firms do not know how to apply.

The rapid response research based on telephone interviews styled "The effects of Covid-19 on small firms: evidence from large-scale surveys of owners and employees" was conducted by Asad Islam, an economics professor at the Monash University, and Atiya Rahman, a senior research associate at the BIGD.

The participants, which included enterprises involved in producing automobile spares, agriculture machinery, accessories as well as general stores, hotels, beauty parlours and tailors, were interviewed between July 14 and July 23.

The researchers presented the findings at a virtual meeting yesterday.

The survey found 60.71 per cent of the enterprises were open in July while 69.13 per cent were closed during the lockdown, which began on March 26 and continued until May 31 before the gradual lifting of restrictions from June.

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