WALTON

The officials of Walton hand over the "Best Branding Award and Best Area Manager Award-2020" to its area managers at an event at the electronics company's corporate head office in Dhaka on Thursday. Walton awarded 26 individuals and organisations for their outstanding branding activities under its ongoing "Digital Campaign Season-8".

Britain's banks turn cyber sleuths to crack $100b mortgage mystery

REUTERS, *London*

Does a cancelled gym membership spell financial disaster?

That is the type of question British banks are asking as they try to work out whether borrowers owing some 75 billion pounds ($96 billion) in home loans will be good for it when a payment holiday, introduced when the coronavirus crisis first hit, ends.

Lenders are scouring current account transactions, credit card spending and trends in Internet searches for clues about customer finances as part of a wider effort to understand the damage to their portfolios from the pandemic.

The once-in-a-lifetime mix of economic shutdowns, unprecedented government support and an uncertain path to recovery have upended old risk models, based on historical data, necessitating a more dynamic, forward-looking way of analysing lending risk. The searches involve pouring over anonymised data and are a way of surveying overall risk rather than individual customer habits.

The stakes are high: underestimate the risks and bank bosses and shareholders could be in for a nasty jump in losses, overestimate them and banks could rein in lending when it is needed most.

Executives at Britain's top banks say calculating the hit to loans, from mortgages to corporate debt, is the biggest risk management challenge they have seen since the 2008 crisis. "This time there is economic volatility beyond what we have ever seen, there is unprecedented government support, and to try and model it all with 100 per cent accuracy is impossible," said Matt Waymark, director of finance at NatWest Group NWG.L.

Some 300 billion pounds in payment breaks were granted on British mortgages, part of a series of measures aimed at propping up households hit by the virus, and around 70-80 per cent of those have resumed payments, bankers and analysts told Reuters. That leaves nearly $100 billion outstanding at a time when banks also face wider defaults on their corporate loans and plunging income due to near-zero interest rates.

Fearing Biden tax hikes, wealthy Americans rush to change estate plans

REUTERS

Wealthy Americans are scrambling to change their estate plans before year-end, worried that Democrat Joe Biden will win the US presidential election and raise taxes, say financial advisers to the moneyed set.

The biggest concern is that the White House and Congress could get swept up in a "Blue Wave" of Democratic wins that give Biden the power to propose and pass a sweeping set of tax reforms.

Wealthy people are especially nervous that an exemption allowing individuals to leave up to $11.58 million to heirs, free of estate or gift taxes, could be cut before it expires in 2025.

Democrats want to raise estate taxes to the "historical norm," according to the party's platform. That could mean slashing the exemption to $5.49 million, the figure in place before Republican President Donald Trump signed a sweeping tax bill that included benefits for corporations and wealthy Americans in 2017, advisers said.

It is unclear how the election will go or what, if any, tax reform will pass. Tax code changes can also be complex and time consuming. But as Biden has climbed in the polls, rich people are rushing to set up trusts and revise existing ones before year-end to avoid 2021 tax consequences, advisers said.

"The $11.58 million question is, 'What is going to happen to the gift and estate tax exclusion?'" said Toni Ann Kruse, a New York estates lawyer who counsels ultra-high net worth people. "We don't know who will win the election or control the House or Senate - and all of those factors will play into what could happen."

Biden would also "return the estate tax to 2009 levels" to fund paid family and medical leave, according to his website.

His plan also includes raising taxes on long-term capital gains, which is the profit earned by selling assets whose values have appreciated. Taxpayers with income above $1 million would pay a 39.6 per cent income tax on the profit, instead of the current tiered approach that maxes out at 20 per cent for individuals with $441,450 or more income.

In a statement, Biden campaign spokesman Andrew Bates reiterated the candidate's intent to change tax law in ways that benefit less affluent people.

"Joe Biden is running to rebuild the backbone of this nation - the American middle class - by ensuring that our economy rewards work and not just wealth," he said.

The uptick in requests for estate changes intensified in June when Biden pulled ahead of Trump in polling, advisers said. Several firms said they have been overwhelmed by requests since then, and expect business to pick up more toward the end of the year.

Mutual funds to play bigger role in stock market

FROM PAGE B4

But because of either their inefficiency or greed or both, they failed to achieve neither liquidity nor profitability, he said.

This is because many fund managers invested into risky capital market instruments disproportionately, continued the regulatory official.

They did so despite having the scope to invest up to 40 per cent of their funds into risk-free money market instruments and 30 per cent into fixed income investment grade corporate bonds, said Prof Rahman.

Some chose to pay dividends for years while incurring losses, which ultimately eroded their capital, he added.

Titled "Importance of Mutual Fund Industry in the Capital Market as well as in the Economy of Bangladesh", the webinar was organised by the Association of Asset Management Companies and Mutual Fundsin observance of World Investors Week 2020.

Calling for increasing financial literacy this year, the event is being observed by the BSEC along with market intermediaries in tune with the International Organisation of Securities Commission.

The mutual fund sector faces no fundamental or legal problems, though many try to say so, said Hasan Imam, managing director and CEO of Race Asset Management.

The sector ended up disbursing low dividends mainly for its investment destination, the stock market, remaining bearish for long and the stock index continuing to stay gloomy, said Imam, also the association's president.

Bangladesh's investors determine the performance of a mutual fund based on its unit price whereas its net asset value should be the key criterion, he pointed out.

They also believe that mutual funds are risk free instruments but in reality there is some risk, since the funds are invested into the stock market, he added.

Meanwhile, people lack knowledge on the sector, which ends up adversely impacting their decisions, he said.

Bangladesh's stock market is based on individual investors so the government needs to provide incentives to get them interested in mutual funds, said Waqar Ahmad Choudhury, managing director and CEO of Vanguard Asset Management.

One way could be through exempting capital gain tax, which will also boost investor confidence, he added.

Md Nafeez Al Tarik, managing director and CEO of Asian Tiger Capital Partners Asset Management, presented a paper. Abul Hossain, managing director of the Investment Corporation of Bangladesh, and Asadaul Islam, managing director and CEO of Alliance Capital Asset Management, also spoke.

Better business climate to help shake off jitters of LDC graduation

FROM PAGE B4

Md Hafizur Rahman, director-general of the WTO cell of the commerce ministry, said negotiations are ongoing with various countries on attaining trade benefits after the graduation.

"We are working to sign a preferential trade agreement with Nepal within December and then with Japan," he said, highlighting the need for capacity-building in the private sector.

Bangladesh only has four years in hand before graduating from the LDC category, said Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

Securing GSP Plus status will be crucial for Bangladesh. As only five other countries are up for graduation, it will be easier to negotiate a deal in this regard, he said.

"We should explore preferential trade agreements that are mutually beneficial to face future challenges," Rahman said.

"There will be many windows of opportunity after graduation and the country needs to do its homework to secure those benefits."

Monzur Hossain, a research director at the Bangladesh Institute of Development Studies, said revenue in the export-oriented industries could fall after the graduation. However, the government is preparing for these challenges.

"Even if the graduation is deferred by another 10 years, the challenges to export, including garments, will not go. So, it is better to prepare to confront the issues during the transition period," Hossain added.

Anwar-ul Alam Chowdhury, a former president of the Bangladesh Garment Manufacturers and Exporters Association, said addressing Bangladesh's lack of competitiveness in the global market should be the priority.

He said that the private sector's production capacity and capability should be increased. "We need modern and innovative technologies to face the challenges post-graduation."

Syed Nasim Manzur, a former president of the Metropolitan Chamber of Commerce and Industry, said there is no alternative to securing duty-free access to international markets even after the graduation.

According to him, doing business in Bangladesh is costly as the transportation cost is among the highest in the world.

The entrepreneur stressed the importance for dedicated economic negotiations post-graduation to address potential challenges. "Any loss of trade benefits will not only affect the garment sector but also all other export-oriented industries," Manzur said.

The event, moderated by IBFB President Humayun Rashid, was also addressed by Farooq Sobhan, a distinguished fellow of the BEI, Md Fazlul Hoque, a former president of the Bangladesh Knitwear Manufacturers and Exporters Association, and MS Siddiqui, a vice-president of the IBFB.

GREAT WALL AND CHARU CERAMICS

ASM Aminur Rahman, chief architect at the Department of Architecture, opens an exhibition centre of Great Wall and Charu Ceramics at Navana Zohura Square at Bangla Motor in Dhaka yesterday.

WB's GDP growth forecast inconsistent: Kamal

FROM PAGE B1

Migrant workers are sending more money through banking channel than ever before and this has propelled the remittance to an upward trajectory much before the pandemic struck, the minister said.

"So, it would not be alright to think that the remittance flow would not sustain in the coming months."

Migrant workers sent $6.5 billion in the first three months of the current fiscal year, up 50 per cent year-on-year.

Hundreds of restaurants in Dhaka closed for good

FROM PAGE B1

"So, after evaluating everything, we closed down our outlets permanently," Ahmed said, adding that they incurred huge losses.

Royal Canton, a wing of the Royal Thai Restaurant in Banani 11, has been shuttered since March.

"The restaurant will not reopen even after the end of the pandemic," said Rafi Quasem, the restaurant's owner.

"I am trying to survive on loans but the banks are offering such small amounts that it will not benefit me in the slightest," he added

Genetic Building, where Royal Canton is located, houses around 10 restaurants, half of which have not reopened.

"Most of the restaurants that haven't opened will not open again," he said.

However, business for his other venture, Royal Thai, has been slowly gaining momentum since August.

The restaurant has now recovered 40 per cent of its business.

Buoyed by a decade of steady economic growth and a rise in the people's income, the restaurant business in Bangladesh boomed in the last five years.

This led many youths to invest in the sector despite having next to no experience or research before jumping into the business.

"People like me who have experience in the restaurant business somehow managed to survive by borrowing money from different sources. However, the newcomers were especially ravaged by the pandemic," said Ashfaq Rahman Asif, managing director of Tarka Restaurant.

Asif is a partner of around half-a-dozen restaurants, just one of which has remained closed since March.

So far, he regained 50 per cent of his business in the restaurants he is involved with but fears that there could be a second-wave of Covid-19 in the upcoming winter.

He also attributed his survival to rent concessions from landowners.

"We had to renegotiate with the landowners and make them understand that if we close down our business, they will also suffer. Some agreed with us," he said.

Asif went on to say that the meteoric rise in online food delivery during the pandemic is a myth as only 10 per cent of orders comes from various delivery platforms.

"Even in that case we are facing challenges as some delivery platforms are installing 'cloud restaurants' and promoting their products on their site," he added.

A cloud kitchen is a take-away or home delivery point which has no dine-in facility.

The number of food service establishments in the country is estimated to be about 60,000, including hotels, restaurants and sweetmeat makers, where more than 15 lakh people are working, according industry insiders.

About 10 per cent of such establishments have closed down for good, Rezaul Karim Sarker Robin, general secretary of the Bangladesh Restaurant Owner's Association, told The Daily Star.

"Dhaka city alone witnessed closure of hundreds of restaurants," he added.

Over 15,000 restaurant and food service providers have yet to reopen and over 5 lakh restaurant workers and waitstaff have remained unemployed since March, according to the association, which has over 12,000 members.

"We have repeatedly urged the government to provide loans and waive utility bills. But none pay heed to our demands," Robin added.

According to the association, restaurant workers have not received any of the cash aid given to 50 lakh poor families. Robin said the customer turnout at his restaurant is slowly gaining pace and the overall sector recovered only 50 per cent compared to the pre-pandemic level.

Small apparel units still in a tight spot

FROM PAGE B1

"The government should come up with some policy supports like a tax waiver for the small and medium-sized units so that they can grow further," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

Many rising and smaller units cannot grow because of the tax burden, so the government should waive taxes, he said, adding that subcontracting firms are a major factor behind the creation of large entrepreneurs in the garment sector.

In most cases, the smaller units cannot compete with larger factories to land orders but these units are necessary, he said.

The garment exports rose to $1.23 billion in May and to $2.28 billion in June.

It was $3.24 billion in July, $2.47 billion in August and $2.41 billion in September, according to data from the Export Promotion Bureau.

Revival in export growth would largely depend on the continuation of the 'new normal', Shahadat Hossain said.

"If the second wave comes, export could be seriously affected."

Online sale in the garment sector is booming, the BGMEA's Selim said. "We have to adapt to the new trend in apparel marketing."

All efforts fail to reduce NPLs at state banks

FROM PAGE B1

The BB now sets separate credit ceilings for the banks based on their strength.

"The MoU between the central bank and the state lenders is a good thing, but many problems are standing in the way of implementing the conditions of the agreement," said Khondkar Ibrahim Khaled, a former deputy governor of the BB.

The central bank can't bypass its responsibility for the ineffectiveness of the MoU as it frequently relaxes the rules to permit delinquent borrowers to enjoy undue facilities from banks, he said.

An influential group has been controlling the central bank for long so that they can siphon off money from the state lenders, he said.

"The government appoints managing directors and board members to the state-owned banks, creating an impediment to materialising the instructions given by the central bank through the MoU," said Salehuddin Ahmed, a former governor of the BB.

The managing directors of the banks attend the meeting but the central bank should also summon the board members and ask for an explanation why the financial health of the banks does not improve, he said.

"The central bank is making all-out efforts to improve the banks' performance, but the NPL has become a massive challenge to achieve the result," said Md Serajul Islam, a spokesperson and an executive director of the central bank.

He blamed the defaulted loans for the capital shortfall, a large number of loss-making branches and lower net profit at the state lenders.

"The banks will have to come out of the vicious cycle of NPLs, or else we will not get the desired success," he said, adding that the relaxed rescheduling facility has helped the lenders bring down their NPLs.

No respite soon from high prices of vegetables

FROM PAGE B4

Mohammad Masum, chairman of Supreme Seed Company, said the demand for his company's vegetables seeds increased by 30 per cent this year as flood and monsoon rains destroyed plantings twice.

Farmers are replanting on the lands where crops were damaged, he said.

Mohammed Abu Taher, owner of United Seed, one of the leading vegetables seed sellers, said cultivation of early winter vegetables suffered because of the overall climatic problem.

Saplings of some vegetables need to be transplanted to the main field from seedbeds.

This job has been affected by almost incessant rainfall, he said.

As a result, there is a large gap in the market supply, he said.

Higher rain also affected plants that are grown through direct sowing.

Cultivation will return to normal once the weather becomes dry, Taher added.