

BB should steer clear of regulatory forbearance

IMF's Bangladesh Mission Chief Rahul Anand says, pledges further support for faster economic recovery

AKM ZAMIR UDDIN

Bangladesh Bank should take strict measures to avoid further regulatory forbearance in order to strengthen the financial health of the country's banking sector, said Rahul Anand, the Bangladesh mission chief of the International Monetary fund.

Efficient financial resource allocation coupled with an effective banking sector would help accelerate recovery from the COVID-19 fallout and restore the country's robust growth momentum, he said in an exclusive interview with The Daily Star.

"Forbearance should be avoided and banks, where it is practised, should face strict and prompt remedial actions. Bangladesh Bank should tighten the criteria for rescheduling and restructuring loans and avoid their repeated use," Anand said.

A regulatory forbearance initiated by a central bank is a policy that permits banks and other financial institutions to run their operations by way of relaxing the standard banking norms.

This inaction reflects the unwillingness of regulators to take disciplinary action against problem banks for some period of time.

Under a regulatory forbearance, Bangladesh Bank allowed local lenders to reschedule defaulted loans to the tune of Tk 52,770 crore last year, the highest in a single year, according

to central bank data.

"The authorities should proceed with a comprehensive review of the asset quality in the banking sector as well," he said.

Non-performing loans went up to Tk 96,116.65 crore in the first half of this year while it was Tk 94,313 crore in December last year.

"The central bank's independence and autonomy is 'key' for effective regulation and supervision, including in the regulation and supervision of state-owned commercial banks (SOCBs)," Anand said.

Efforts should be made to adopt a more risk-based approach to address deficiencies in anti-money laundering and combat the financing of terrorism, said Anand, also the chief of the South Asia Division-2 of the IMF.

Internal risk management and loan decision making need to improve and loan concentration limits should be observed by the central bank.

Fit and proper criteria for board members should be strictly enforced and updated, including the requirement of identifying the beneficial owners of a significant or controlling interest of a financial institution.

Besides, the boards of commercial banks should include a majority of independent directors, he added. Legal systems should be enhanced to support banks to recover non-performing loans (NPLs), particularly those by wilful defaulters.

Further strengthening the capacity and efficiency of the court system should help expedite the legal process.

"The role of state-owned commercial banks (SOCB) should be reassessed, transforming some into developmental institutions with a clear public mandate and necessary budget support," said Anand, who previously worked on a number of countries in Asia and Africa, including Sri Lanka, India and South Africa.

Others SOCBs' should be converted into banks operating on commercial principles or closed, the IMF official said.

The authorities should establish a lender of last resort facility to provide emergency financing for solvent but temporarily illiquid banks.

A clear entry and exit strategy for banks should be introduced and enforced.

Anand praised the central bank for its role in taking time-befitting decisions to tackle



Rahul Anand

the economic slowdown brought on by the ongoing coronavirus pandemic.

A monetary easing programme taken by the central bank has been appropriate and includes lowering the cash reserve ratio, the repo rate and reverse repo rate.

Bangladesh Bank, as part of the Covid-19 response, also appropriately extended liquidity to the financial system by increasing the advance-to-deposit ratio and making available a refinancing scheme for banks to extend working capital loans to firms.

In addition, the lender has made temporary changes to regulatory measures for the financial sector and borrowers to help mitigate the economic fallout.

However, it is imperative to maintain proper monitoring of banks' financial conditions to ensure financial stability, said Anand, who holds a PhD from Cornell University and a master's degree from Harvard University.

He suggested both the government and the central bank should take decisions cautiously to use the country's foreign exchange reserve to implement development projects.

"Maintaining sufficient reserve buffers is essential for Bangladesh as it relies on exports and remittances for growth and remains exposed to global uncertainties and external shocks."

At around 6.7 months of prospective imports, reserves in Bangladesh are adequate and not excessive.

As noted in the IMF policy advice of 2017, if reserves were used to finance investment projects, care should be taken to prevent from encumbering the reserves in order to keep the country's external resilience stable.

The country's ability to tap into global capital markets in the future should also be considered while making decisions to use the reserve.

"This is especially important in the light of Bangladesh's dependence on garment exports and remittances, which could be vulnerable to uncertain and volatile global developments," he said.

Anand also said that the existing upward inflationary pressure against the dwindling employment generation have not indicated any stagflation for the economy.

The coronavirus outbreak in March and subsequent nationwide lockdown aimed at containing the virus resulted in lower output and employment. As the lockdown has been lifted and external demand recovers, albeit slowly, there are signs of a pick-up in domestic activities and exports.

"We expect the economy to rebound as the impact of pandemic fades," he said.

Average annual headline inflation is expected to pick up a bit in fiscal 2020-21 mainly due to higher food prices, which are caused by temporary shocks, including supply disruptions and recent floods.

Non-food inflation is likely to be moderate as domestic activities are recovering slowly and mostly still remain subdued.

In the medium term, inflation is expected to remain stable and close to the central bank's 5.50 per cent target.

"Looking ahead, as domestic activities pick up, the authorities should continue to remain vigilant against inflationary pressures and stand ready to fine tune policies to strike the right balance between growth and price stability," Anand added.

From a longer-term perspective, the central bank's focus on modernising its monetary policy framework and moving towards the interest rate targeting should also contribute to preserving price stability.

Asked why the IMF projected a lower GDP growth than the target set by the government, Anand said the downward adjustment of the growth forecast for FY21 reflects a longer-than-expected duration of the Covid-19 pandemic and the unusually large uncertainties surrounding its duration and impact.

The Washington-based multilateral lender set a GDP growth of 4.4 per cent for this fiscal year, much lower than the government's estimate of 8.2 per cent.

The virus continues to spread in many parts of the world and as a result, several countries have slowed their reopening while some are even reinstating partial lockdowns.

It is assumed that domestic and external activities will only recover gradually as containment measures will likely to continue into next year before the pandemic is well under control.

For this reason, growth is only expected to pick up moderately in FY21.

Bangladesh has achieved impressive economic and social development growth in the past decade, Anand said.

It has made steady progress in reducing poverty and improving many of its sustainable development goals indicators as well.

But, the Covid-19 pandemic has interrupted a long period of robust economic performance.

However, Bangladesh has significant growth potential with favourable demographics, which could help its economy remain resilient to the crisis and resume progress towards the authorities' ambition to reach higher middle-income status.

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36 tonnes of baby food seized over 'signature forgery'

MOHAMMAD SUMAN, Chattogram

Chattogram Customs House yesterday seized 36 tonnes of baby food items, citing of finding evidence of the importer -- Siam Enterprise -- using a fake website and forging the commerce ministry's seal and signature.

Importers are required to secure a clearance permit (CP) from the commerce ministry for non-declared goods as well as restricted items such as baby food, Nure-Hasna Ansuya, assistant commissioner of Chattogram Customs, told The Daily Star.

"The importer forged the seal and signature of the ministry and submitted a CP to the Chattogram Customs to release the consignment," she said.

The importer also created a website resembling that of the ministry where they displayed information about the permit, she said.

"And so, a case will be filed against the importer and it is also being investigated whether any similar products were released in this way in the past," Ansuya added.

Siam Enterprise's permit shows a

signature of Deputy Secretary to the ministry Md Abdul Awal of October 1. Customs officials later confirmed the fraud on cross-checking with the ministry.

According to sources at the customs office, the company declared to have imported 15 tonnes of goods but physical examination revealed an addition 21 tonnes of baby milk powder.

The customs authority ordered the importer to pay a fine of Tk 67 lakh and submit the permit from the commerce ministry to receive the products.

Officials allege that the importer attempted this forgery as it did not have permission to import such goods.

Khan Enterprise, a clearing and forwarding (C&F) agent, was responsible for releasing the consignment from customs on behalf of the importer.

Ghulam Maula Khan, the C&F agent's proprietor, claimed to The Daily Star that they were not aware of any such fraudulence.

"I will be able to speak in detail later once I contact the customs authorities," he added.

Business transformation a must to revive economy

Experts say at ICAB members' conference

STAR BUSINESS DESK

With the learnings from the ongoing pandemic, businesses have to adopt transformation to survive in the changing situations and help revive the economy of the country, experts said.

They also said such business transformation requires dynamic leadership, emotional bonding among team members, trust and above all readiness to accept innovation and fresh ideas.

The views came at a members' conference on "Business transformation - recipe for survival and success" organised by the Institute of Chartered Accountants of Bangladesh (ICAB) through a digital platform on Saturday.

Grameenphone CEO Yasir Azman said technology is just a tool for business transformation, but real transformation depends on the transparency between the leaders and members of any organisation.

"No leadership can change an organisation if leaderships in the different ladders do not collaborate and cooperate. Business change is a must as learning from the ongoing pandemic will help businesses alter their operation quicker than it was thought earlier."

"We will ultimately understand that everything we had before Covid-19 was not good," Azman said.

"Our economy and the business have been hit hard by Covid-19 and for successful survival, digital transformation of business is a must," said ICAB president Muhammad Farooq.

"Before the pandemic, a lot of discussions were held on the implications of technology in our future work. However, the future has arrived sooner than anticipated as companies and workers shifted to remote working in order to contain the transmission of Covid-19, dramatically changing how we work."

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DHL Express Bangladesh has received a "Great Place to Work®" certification for the third consecutive year from the Great Place to Work® Institute.



Moreover, in a global survey of 10,000 organisations, DHL Express has been ranked second on the World's Best Workplaces 2020 list by Great Place to Work® and an institutethis month.

A statement takes the DHL's number two position as proof of employee motivation directly resulting in customer satisfaction and loyalty, eventually bringing in business success.

The Great Place to Work® focuses on workplace culture. Since 1992, they have surveyed more than 100 million employees around the world and used their insights to define what makes a great workplace.

Walton announces generous dividends despite dismal profits

STAR BUSINESS REPORT

Walton Hi-Tech Industries has decided to pacify its investors by announcing handsome cash dividends even though the company registered half the last year's profits amid the ongoing pandemic.

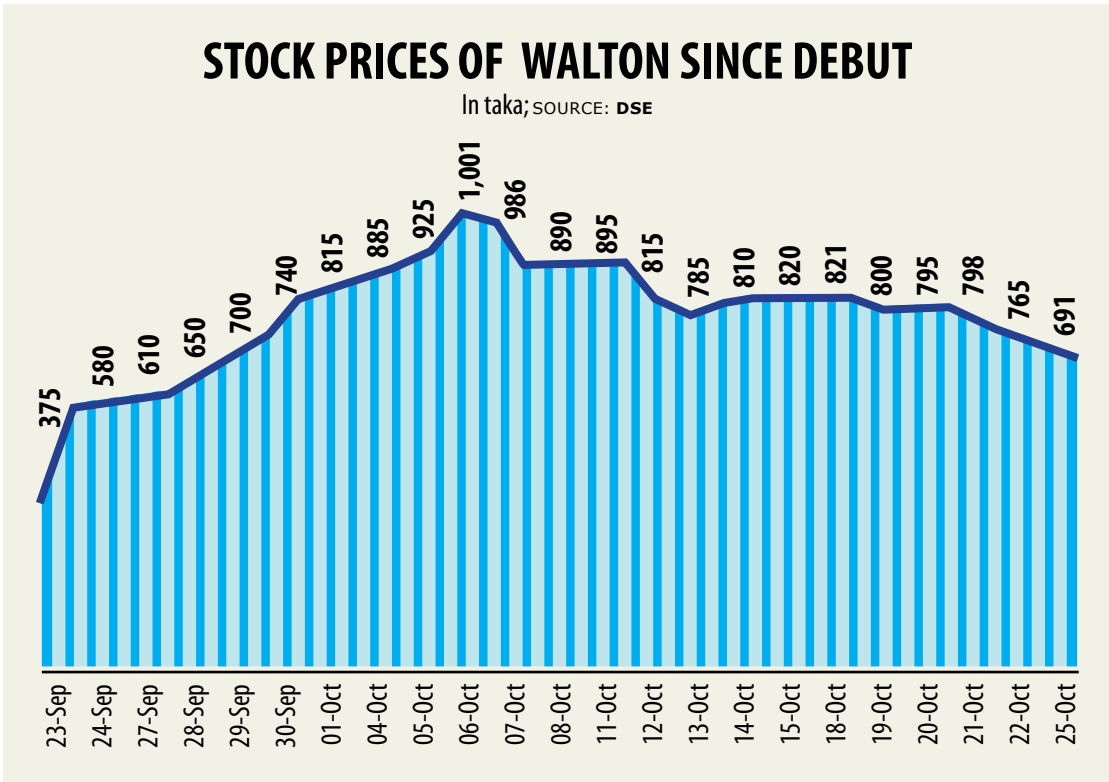
The local electronics giant approved 200 per cent cash dividend for general investors and 75 per cent for directors and sponsors for the year that ended on June 30, 2020.

"We always think for the betterment of the people and for this reason, we announced a handsome dividend despite booking a lower profit this year, said Abul Bashar, additional managing director of the company.

The company's earnings per share has seen a 47 per cent drop in a year -- from Tk 45.87 in the last fiscal year to Tk 24.21 in the current fiscal year, according to data from the Dhaka Stock Exchange.

"Our main selling quarter was the April-June quarter, which was hit hard by the pandemic. So sales and revenue significantly fell in the quarter, which ultimately reduced our profits," Bashar added.

About the lower dividend for sponsors, Bashar said: "To run the



business smoothly, we need more working capital and repay bank loans. So we decided to provide lower dividends to the sponsors to increase our retained earnings." The company's paid-up capital

was Tk 302 crore and its reserve and surplus stood at Tk 6,997 crore.

It is a good sign that the newly listed company has disbursed high dividends because many firms are

not doing this, said Abdul Haque, a stock investor who has been trading since 1995.

This tendency will boost investors' confidence, he said, adding that sometimes the newly

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