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DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
▲ 0.59%	▲ 0.45%	\$1,808.84	\$48.60	▼ 1.56%	▲ 0.50%	▼ 0.76%	▼ 1.19%	83.95	98.91	111.21	12.58	
4,861.87	8,383.83	(per ounce)	(per barrel)	43,828.10	26,296.86	2,869.55	3,362.33	BUY TK	84.95	102.71	115.01	13.22

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Higher GDP growth fails to translate into lower NPL: BIBM

STAR BUSINESS REPORT

An increase in the gross domestic product (GDP) reduces non-performing loans in advanced economies, but it has no such impact on the bad loans in Bangladesh, found a study of the Bangladesh Institute of Bank Management (BIBM).

The BIBM presented the report during a webinar titled "NPL in Banks of Bangladesh: Macro Economic and Bank Specific Perspective" yesterday.

The growths of GDP and NPL are inversely proportional because a strong, positive growth in real GDP usually translates into more income, which improves the debt servicing capacity of borrowers, thereby contributing to lower the NPLs, says the report.

Interestingly, Bangladesh's GDP growth rate has no impact on the NPLs of banks, it said.

"This is because of the presence of a substantial number of wilful defaulters," said Md Alamgir, an associate professor at the BIBM who presented the report.

The amount of the NPLs in the banking sector stood at Tk 96,116 crore at the end of June 2020, which was 9.16 per cent of the total amount of loan disbursed.

Average lending rate of banks has an immense impact on the NPLs, Alamgir said, adding that both regulators and bankers could assist borrowers in Bangladesh by charging a lower rate of interest and thereby increasing their capacity to repay loans.

The BIBM analysis shows that loan growth rate has an inverse relationship with the NPLs.

BIBM recommends

- Stopping borrowers from taking loans from too many banks
- Setting up integrated information system on clients at BB
- Increasing management efficiency
- Employing banks' agents at borrowers' firms
- Assessing credit risk properly
- Abstaining from sanctioning excess loans to inexperienced borrowers
- Introducing effective corporate governance
- Keeping banks free from political pressure
- Removing unhealthy competition among banks over good borrowers

The increase of the NPL both in quantity and percentage of the total loans disbursed is connected to either financial crises or bank failures or both, and it negatively impacts private investment, said Alamgir.

The report recommends developing a data sharing system connecting the banks and Bangladesh Bank so that lenders can carry out a background check to identify bad debtors.

"Then banks will only approve loans upon checking the sound credibility of the borrower and this idea can be developed from cloud computing systems," Alamgir said.

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APPAREL EXPORT

BD opposes Indonesia's move to slap safeguard duty

SOHEL PARVEZ

Bangladesh has opposed Indonesia's move to impose a safeguard duty on apparel shipments to the country as such a measure would be inconsistent with the provisions of global agreements on safeguards, tariffs and trade.

The Bangladesh Trade and Tariff Commission (BTTC) and the Bangladesh Garment Manufacturers & Exporters Association (BGMEA) shared their arguments and observations on the matter during a recent hearing conducted by the Indonesian Safeguards Committee (KPPI).

The hearing took place on November 20, more than one-and-a-half months after the KPPI initiated an investigation into the viability of a safeguard duty following a request from the Indonesia Textile Association against the import of apparels.

The event was organised to give apparel exporting nations an opportunity to present their views on the proposed safeguard duty.

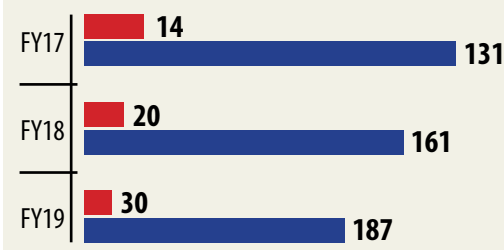
Bangladesh fetched about \$30 million from apparel exports to Indonesia in fiscal 2018-19.

So, levying a safeguard duty would hurt the shipment of garments, which is the country's main export item, according to the BTTC and BGMEA observations.

BANGLADESH'S TEXTILE AND GARMENT TRADE WITH INDONESIA

In million US dollar; SOURCE: EPB, NBR

■ Apparel export ■ Textiles import



Nearly 40 lakh workers, mainly women, are employed by the apparel sector.

In its submission on behalf of the government, the BTTC cited the provisions in the General Agreements on Tariffs and Trade (GATT) and the World Trade Organization (WTO) Agreement on Safeguard to explain that imposing such protective measures does not fulfil the conditions set in the related treaties.

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BSEC to restructure boards that fail to hold minimum shares

STAR BUSINESS REPORT

The stock market regulator has decided to reform the boards of the listed companies that fail to hold at least 30 per cent shares of their firms collectively.

Yesterday, the Bangladesh Securities and Exchange Commission (BSEC) approved a work plan on how to restructure the boards.

If a company fails to meet the condition on the minimum shareholding within November 30, the reform will be mandatory, the regulator said in a press release.

In 2011, the regulator ordered sponsors and directors to hold a minimum of 2 per cent shares of their company individually and 30 per cent jointly.

All the directors did not follow it despite repeated orders from the commission. Until November 1, directors of 36 companies were holding less than 30 per cent shares in combined.

This compelled the new commission to cancel the directorship of 17 directors of nine listed companies for not holding the minimum shares in September.

The regulator also fixed October 27 as the deadline to fulfil the collective minimum shareholding requirement and later extended it by a month.

Yesterday, the commission approved Mudaraba perpetual bond of Social Islami Bank worth Tk 500 crore. The bond would be unsecured and contingent-convertible and will carry a floating rate.

Financial institutions, funds, corporates and eligible investors are allowed to invest in the bond.

With the proceeds from the bond, the private commercial bank will strengthen its Tier 1 capital base.

Tier 1 capital is used to describe the capital adequacy of a bank and refers to core capital that includes equity capital and disclosed reserves.

The face value of the bond is Tk 10 lakh each.

EBL Investments Ltd is the trustee of the bond, while City Bank Capital and Prime Bank Investments are the lead arrangers.

Govt dialogue on stimulus packages begins today

STAR BUSINESS REPORT

The government will today hold the first of its three dialogues to evaluate the nearly two dozen stimulus packages rolled out to tackle the Covid-19 fallout.

Since the coronavirus outbreak in Bangladesh in March, the government has announced 21 stimulus packages involving Tk 121,353 crore to revive the economy and protect people.

The finance ministry will hold the series of dialogues styled, 'Stimulus Packages for Sustainable and Inclusive Recovery from Covid-19 Fallout in Bangladesh', in the format of three view-exchange meetings.

The initiative is aimed at raising awareness among stakeholders about the various aspects of the packages and their contribution to economic recovery, the finance ministry said in a press release yesterday.

Noted economists, researchers, country heads of multilateral development organisations and ambassadors will attend the dialogues as discussants.

The first view-exchange meeting will be held on the topic 'Job Retention, Restoration of Demand and Maintenance of Supply Chain'.

Commerce Minister Tipu Munshi, the prime minister's Principal Secretary Ahmad Kaikaus, World Bank Country Director Mercy Tembon and Japanese Ambassador ITO Naoki will speak at the event.

Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, Selim Raihan, executive director of the South Asian Network on Economic Modeling, and Nazneen Ahmed, a senior research fellow of the Bangladesh Institute of Development Studies, will attend the discussion as well.

Finance Secretary Abdur Rouf Talukder will make a keynote presentation.

The second dialogue, to be held on December 3, will be on employment generation and revitalisation of the rural economy.

The last part of the series is set for December 10 and will discuss expanding the social safety net programmes and ensuring food security, the press release said.

The combined support under the stimulus packages now accounts for 4.3 per cent of the gross domestic product of Bangladesh.

The packages have been provided in the form of low-cost loans for the micro, small, medium and large industries, service providers, food security, social protection and special allowances as the pandemic-induced shutdown paralysed the economy, drying up millions of jobs and creating hundreds of new poor.

The dialogue comes amid criticisms over the effectiveness of the scheme as the disbursement for small and medium enterprises, and farm sectors is still very slow.

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South Korea to provide \$50m in budget support

JAGARAN CHAKMA

South Korea has agreed to provide \$50 million in budget support to Bangladesh to help the country continue its fight against the coronavirus pandemic.

In June, Bangladesh had urged the South Korean government for financial aid amid the crisis.

And recently, the South Korean embassy in Dhaka informed both the finance and the foreign affairs ministries that Seoul has accepted Bangladesh's request.

As such, the government of South Korea will provide \$50 million loan under the Economic Development Cooperation Fund to help Bangladesh address the Covid-19 fallout.

The embassy has requested the government to complete the official procedures needed to finalise the loan agreement, which will be disbursed through Korea Eximbank.

"I am confident that this provision will lend adequate support for Bangladesh's fight against the Covid-19," said Lee Jang-keun, South Korean ambassador to Bangladesh, in the letter.

"I would like to assure you of Korea's firm solidarity with the people of Bangladesh in

this joint fight against the pandemic."

Bangladesh has so far received more than \$2 billion as financial support from its various multilateral and bilateral partners to recover from the economic downturn.

This includes aid from the World Bank,



the International Monetary Fund, and the Asian Development Bank.

The IMF is providing \$732 million as emergency assistance, the largest financial support provided by any entity to Bangladesh to deal with the Covid-19 fallout.

The ADB provided \$608 million as budget support and technical assistance, and the fund has already been deposited to the government treasury.

The ADB extended the support to Bangladesh to help the country address its immediate public health requirements.

The Manila-based lender funded the immediate procurement of equipment and supplies needed for testing and upgrading

health emergencies.

The remaining \$500 million is for providing budget support for different projects.

The government has sought \$1 billion from the Japan International Cooperation Agency (Jica). Officials of the Economic Relations Division said they were hopeful about getting support from the Jica.

Besides, the government is seeking financial assistance from its development partners to procure Covid-19 vaccines as soon as it hits the international market.

The ministry estimates that Bangladesh might need between \$1.65 billion and \$2 billion to vaccinate the 165 million people in the country.

The ERD sought \$500 million from the WB, \$500 million from the ADB, \$500 million from Japan and \$200 million from the Asian Infrastructure Investment Bank to purchase, store, transport and distribute the vaccines.

Bangladesh needs external financing to implement its \$14 billion stimulus packages introduced to help its people cope with the losses caused by the pandemic. The packages are equivalent to 4.03 per cent of the GDP.

BKB, Rakub asked to reduce default loans, boost capital base

AKM ZAMIR UDDIN

Bangladesh Bank yesterday asked two specialised banks to strengthen their financial health by bringing down default loans and boosting capital base.

Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (Rakub) have also been instructed to reduce their large number of unprofitable branches by cutting costs.

The banking regulator came up with the instructions during a meeting at its headquarters presided over by Governor Fazle Kabir. The chairman and managing directors of the two lenders were also present.



The directives were issued as per a memorandum of understanding (MoU) between the central bank and the state lenders.

The BB sets new targets for the two banks every year and reviews their performance once in every three months under the agreement.

The central bank earlier asked BKB to recover Tk 101 crore from the top 20 defaulters by 2020. It managed to realise Tk 11.36 crore in the first six months of the year.

The defaulters held 45.47 per cent of the total defaulted loans to the tune of Tk 2,733 crore as of June, according to central bank data.

Rakub also performed poorly as it realised Tk 3.21 crore in the first half against the annual recovery target of Tk 56 crore from the top 20 defaulters.

As much as 17 per cent of the bank's defaulted loans, amounting to Tk 1,756 crore, are now stuck with the top delinquent borrowers.

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