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BUSINESS

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# Remittance buoyant

Inflow hit a record high in 2018

STAR BUSINESS REPORT

Remittance hit an all-time high of \$15.53 billion in 2018, giving a breather to the country's ongoing foreign exchange crisis.

Last year's inflows were 14.79 percent higher than 2017's, according to data from the central bank. The ongoing depreciating trend of taka against the US dollar, a strong stance taken by the central bank to fight illegal money transfers and the good commission offered by banks to remitters were the main reasons behind the spike, analysts said.

Remittance, one of the main drivers of the country's economic growth, sank to a six-year low of \$13.53 billion in 2017. This had an adverse impact on the country's foreign exchange reserves and balance of payments.

Despite the record amount of remittance, the banking sector is still facing a shortage of green-backs because of the rising trend of imports, said a Bangladesh Bank official.

The central bank has been injecting dollar into the money market on a regular basis to offset the foreign exchange crisis.

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The local currency has been depreciating in recent months, which caught the attention of the Bangladeshi diaspora, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of banks' managing directors.

On January 2, the inter-bank exchange rate stood at Tk 83.90, up 1.45 percent from a year earlier.

In recent times, the central bank

has also beefed up its monitoring on the financial sector to tackle hundi, an illegal process of transferring money from a nation to another.

"It is finally reaping fruit," said Rahman, also the managing director of Dhaka Bank.

Some banks, which earlier faced shortage of foreign exchange to settle their letters of credit, have been offering high commission to hook remitters so that they send their hard earned money through them.

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# Janata sinks into colossal losses

JEBUN NESA ALO

Janata Bank logged in losses of Tk 3,132 crore in the first nine months of 2018, a stunning reversal in fortune for the state-owned bank as loan irregularities finally take a toll.

The bank was Tk 268 crore in profit at the end of December last year.

At the beginning of the year, Bangladesh Bank unearthed two big loan scams of AnonTex and Crescent involving a total of Tk 8,300 crore.

Both the large clients turned defaulters in June, sinking the bank into losses to the tune of Tk 1,589 crore -- for the first time in five years.

The losses continued to pile up, leading to capital shortfall of Tk 3,923 crore in September. In contrast, at the end of December the bank was in capital surplus of Tk 26 crore.

"The spike in default loans accounts for the huge losses," said a senior executive of Janata, adding that the bank has to maintain huge provisioning from its profit against the default loans.

As a result, the bank has no provisioning shortfall but losses, he added.

Janata maintained provisioning of Tk 5,840 crore as of September, the highest among the four state-

owned commercial banks.

Between the months of January and September, Janata's default loan ratio soared to 31.31 percent, in contrast to 18.22 percent at the end of last year, according to data from the central bank.

As of September, Janata's total outstanding loans stood at Tk 14,376 crore, the highest among the state banks.

Bangladesh Bank found that the bank lent to 31 business groups violating the single borrower exposure limit. Janata's single borrower exposure limit is 15 percent of its capital.

Of the 31 groups, 11 turned defaulters.

Janata is the only state-owned commercial bank out of four to have registered losses this year. Sonali made the highest profit of Tk 873 crore, followed by Agrani at Tk 36 crore and Rupali at Tk 16 crore.



# Inflation drops

Fall in food and non-food prices brings the rate down to 19-month low

STAR BUSINESS REPORT

Inflation dropped to a 19-month low in December on the back of a fall in prices of both food and non-food items, official data showed.

Last month, inflation stood at 5.35 percent, down two basis points from 5.37 percent in November, according to the Bangladesh Bureau of Statistics. The last time inflation reached such a level was in March 2017, when it was 5.39 percent.

Planning Minister AHM Mustafa Kamal, while unveiling the monthly consumer price index at his ministry yesterday, said inflation did not go up in December, when parliamentary elections took place.

Analysts had warned that electoral expenditure would put pressure on inflation in the coming months.

Inflation has been sliding for the last couple of months because of a decrease in the prices of food and non-food items.

In December the price of sugar reached a 10-year low, according to Kamal.

The minister is hopeful of an ease in inflationary pressure in the coming days.

According to the BBS data, food inflation was slightly down to 5.28 percent in December from 5.29 percent a month ago. Non-food inflation fell four basis points to 5.45 percent from 5.49 percent in November.

*Inflation did not go up in Dec despite electoral expenditure, Planning Minister AHM Mustafa Kamal says*

Rural inflation remained unchanged in the month from November while urban inflation dropped to 6.14 percent from 6.21 percent in November.

Experts said though inflation was still low, it would be a short-term challenge for the new government because of volatility in the financial market.

The government has targeted to keep inflation within 5.6 percent in the current fiscal year of 2018-19.

# Private sector credit growth hits 3-year low

STAR BUSINESS REPORT

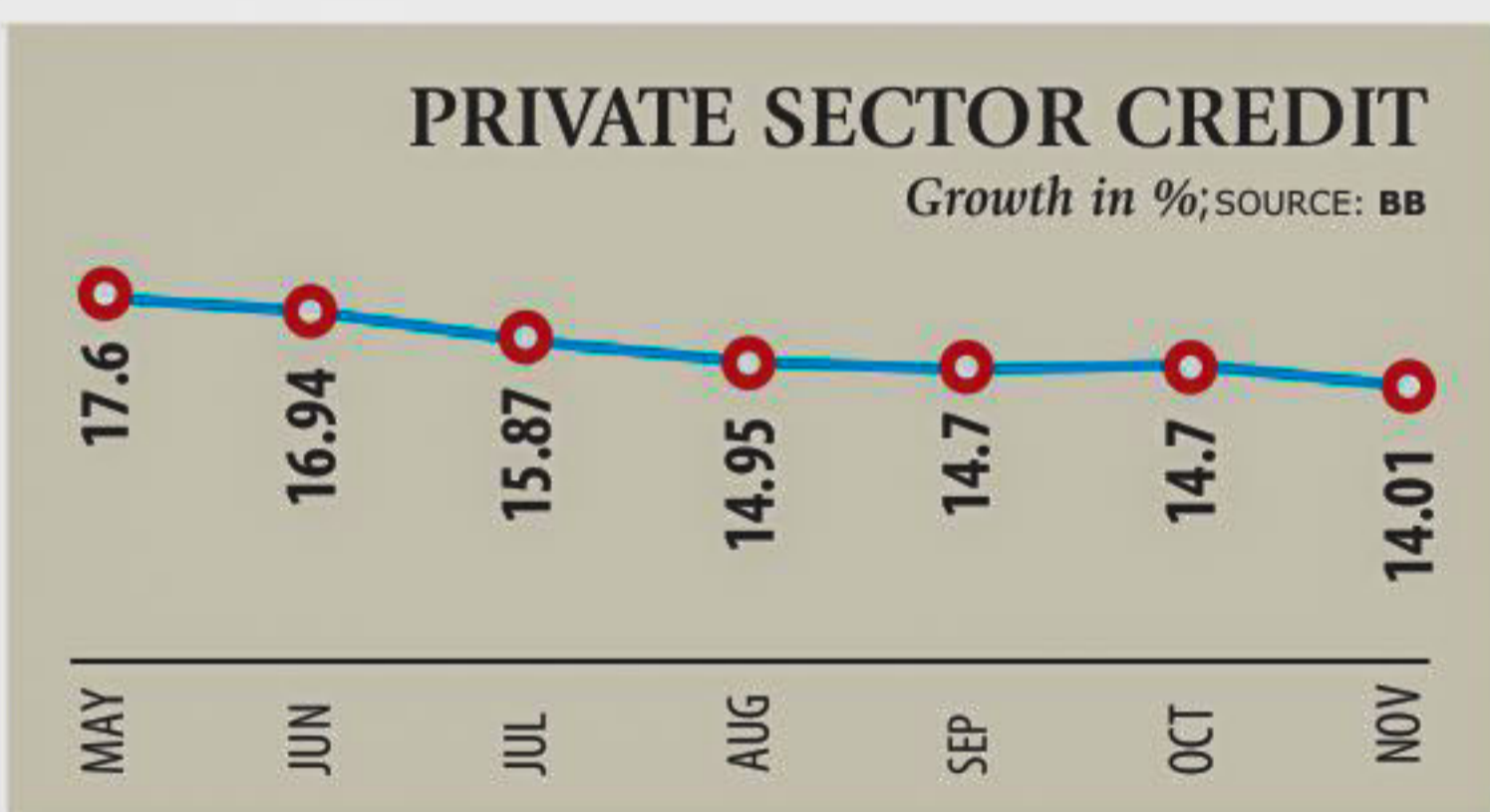
Private sector credit growth hit a three-year low in November due to cautious lending and reluctance by businesses to go for expansion ahead of the polls, which took place on December 30.

In November, credit growth stood at 14 percent year-on-year, down from 14.7 percent in the previous month, according to data from Bangladesh Bank.

The credit growth is far below the ceiling of 16.8 percent set by the BB for the second half of 2018.

The central bank is likely to keep the private sector credit growth target unchanged at 16.8 percent in its latest monetary policy, which will be announced later in January, said a senior BB official.

Private sector credit growth remained slow due to lack of demand from businesses amid



uncertainty ahead of national election, said Syed Mahbubur Rahman, managing director of Dhaka Bank.

Moreover, banks emphasised on recovery towards the end of the year instead of disbursing loans.

The demand for credit is set to escalate in the New Year, after the general elections, said Rahman,

also the chairman of the Association of Bankers, Bangladesh, a platform of banks' managing directors and chief executives.

Liquidity shortage is also responsible for the slow private sector credit growth, said a senior executive of another private bank.

The cut in cash reserve ratio in

April had increased the flow of money in the banking system for a couple of months, but the effect did not last long, he said.

Some banks are offering interest rates of more than 10 percent for deposits due to fund crisis, he added.

The BB apprehends the uptick in credit growth after the election will increase the inflationary pressure.

"The central bank will check aggressive lending by keeping the credit growth ceiling unchanged," the BB official said.

Public sector credit growth, which was in the negative in recent months, stood at 7.80 percent in November thanks to heavy borrowing by the government ahead of the polls.

However, the growth rate is still below the monetary ceiling of 15.9 percent set for the second half of 2018.

# H&M's fair living wage strategy pays off

Study finds it raises productivity

REFAYET ULLAH MIRDHA

Proper grading of the skilled workers ensures higher take-home salaries and inspires the workforce to improve productivity in garment factories, according to a recent study of Swedish retail giant H&M.

H&M introduced an improved Wage Management System (WMS) in 2013 in factories where it sources apparel items from and it implemented the "fair wage method" in 20 garment units in Bangladesh.

Around 930,000 garment workers work in factories that are either implementing improved WMS or have democratically elected worker representation -- or, as in most cases, both, H&M said in a statement.

"This is an important achievement that lays the foundation for structural changes by making sure workers' voices are better heard."

"Over the past five years, we've analysed data from hundreds of factories in some of our most important sourcing markets to gain further understanding of the impacts that have, and can be, created at a factory level," it said.

The WMS helped factories become fairer and more transparent in the way they work with individual wage setting, H&M said.

"Individual wage setting allows the recognition and reward of, for instance, skill, seniority and performance. Combined, these components make up the take-home wage for garment workers."

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# Farm loan keeps falling

STAR BUSINESS REPORT

Lending to the agriculture sector fell 9 percent year-on-year to Tk 7,475.60 crore between July and November of the current fiscal year, according to central bank data.

Farm loan disbursement also dropped 16 percent from July to October.

The ongoing liquidity crunch in the banking sector has left an adverse impact on the disbursement of farm loans, creating difficulties for farmers in growing crops without any interruption, said a central bank official.

The Bangladesh Bank has set a farm loan disbursement target of Tk 21,800 crore for the current fiscal year of 2018-19, of which 34.29 percent was disbursed between July and November.

Eight state-owned commercial and specialised banks -- Sonali, Janata, Agrani, Rupali, BASIC, BDBL, Bangladesh Krishi, and Rajshahi Krishi Unnayan Bank -- disbursed Tk 3,807 crore altogether.

Private and foreign banks gave out Tk 2,744 crore in agriculture loans during the five-month period.

Lenders faced a difficult time to mobilise deposits throughout the outgoing year as clients prefer savings certificates and bonds, as they offer higher yield than banks' savings



products, the central bankers said.

The decision of the banking watchdog to tighten the banks' advance-deposit ratio by March next year has also worsened the farm loan disbursement. Banks have to lower the ADR by cutting down on credit disbursement.

As per the central bank's instruction, traditional lenders will have to cut the ADR by 1.5 percentage points to 83.50 percent from 85 percent and to 89 percent from 90 percent for Shariah-based banks.

The liquidity crunch has prolonged because of a huge cash withdrawal from banks by the candidates who took part in Sunday's national polls.

Besides, the government is bor-

rowing from commercial banks to finance its election-related expenditure, piling further pressure on the lenders.

The liquidity crunch will continue into February next year and it will not only hit the farm sector but also the industrial sector, said a top banker.

Farm loan has been declining for the last few years thanks to the reluctance of private and foreign banks to provide financing to the agriculture sector, according to a recent survey of the Bangladesh Institute of Bank Management.

As per the central bank's policy, banks have to set aside at least 2 percent of their total loans for the agriculture sector.

# Stocks maintain upward trend

STAR BUSINESS REPORT

Pre and post-election buoyancy in the stock markets continued yesterday on the back of a significant increase in the participation of investors, particularly the retail ones.

The benchmark index of Dhaka Stock Exchange (DSE), the premier bourse of the country, rose 31.18 points, or 0.57 percent, to end the day at 5,496.43.

Chittagong stocks also advanced with the bourse's key index adding 79.06 points, or 0.78 percent, to reach 10,194.16. Market insiders say stocks have started to rise thanks to the growing participation of individual investors.

"Some of the institutional investors have also started investing after the election in the hope of a peaceful political situation in the coming years," said the managing director of a merchant bank, requesting anonymity.

He, however, said most of the investors faced a scarcity of funds and investors who had liquidated their funds earlier began to participate.

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