

Banks plagued by liquidity crunch

AKM ZAMIR UDDIN

Banks are now offering double-digit interest rates for deposits in a desperate attempt to prop up their liquidity base amid high default loans and heavy bank borrowing by the government.

"The majority of the banks are forced to take deposits at 10 percent or more to tackle their liquidity crunch," said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' chief executives.

A large amount of funds in the form of non-performing loans is now stuck with defaulters -- hiking the banks' cost of funds.

At the end of 2018 the total amount of non-performing loans in the banking system stood at Tk 93,911 crore, up 26.38 percent from a year earlier.

"This has finally pushed the interest rate on deposit products past the 10 percent mark," he added.

But in April last year, sponsors of private banks had fixed the interest rate for deposits at 6 percent and for lending at 9 percent after bagging a set of facilities from both the

central bank and the government.

But, they failed to keep their word amid the rising liquidity crisis.

As of January, the excess liquidity in banks stood at Tk 67,642 crore, down 11.45 percent from a month earlier and 13 percent year-on-year, according to data from the central bank.

Amid the backdrop, in a baffling move the government last month announced an easy loan rescheduling and loan classification package for defaulters.

From May 1, defaulters will be allowed to reschedule their loans for 12 years after furnishing 2 percent down payment. At present, defaulters can reschedule their loans for at most 3 years by providing 10 to 15 percent down payment.

Both small and large borrowers will be able to get the rescheduling facility and a 9 percent simple interest formula instead of existing compound formula will be applied -- which is lower than the current market rate.

"Some borrowers have recently stopped repaying their monthly credit instalments after hearing that the central bank will offer different types of facilities to defaulters," said Rahman, also the managing director of Dhaka Bank.

In another helping hand to the defaulters, the central bank is set to relax the country's loan classification rules, which were tightened in 2012 to comply with global standards.



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Stocks continue to bleed

Forced sales add to dismay

STAR BUSINESS REPORT

Stocks continued to suffer massively for the fourth consecutive day yesterday as some brokers went for forced sales amidst a lower participation from institutional investors.

Forced sales come when the equity-debt ratio of an investor, who invests by taking margin loans from brokers or merchant banks, comes down to 30.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), declined 57.14 points, or 1.07 percent, finishing the day at 5,261.60. The index lost 198.31 points in the last four trading days.

Turnover, another important indicator of the market, also dropped 24.89 percent to Tk 274.83 crore, which is a one year low, with 6.40 crore shares and mutual fund units changing hands on the DSE.

"This is normal for forced sales to arise now as the top category stocks fell by a huge extent in the last few days and margin loans were given to the stocks," said Mohammed Rahmat Pasha, managing director of UCB Capital.

He said this sales pressure also pushed the index down but the brokers and merchant bankers had no option but to go for the sales as they have been facing serious problems since 2010 for barring the execution of forced sales.

Market insiders said a liquidity crunch among institutional investors caused the index to fall. On the other hand, decreased performance

by some big companies alongside price reductions had a massive impact on the index.

According to IDLC Securities data, the top three negative index contributors yesterday were British American Tobacco Bangladesh, United Power Generation and Grameenphone.

The telecom regulator's tough stance against Grameenphone caused its share price to slide in the last few days. The operator's stocks were down around 17 percent in the last seven working days.

United Power Generation gave up 24 percent. A huge amount of

shares of British American Tobacco Bangladesh has been sold by the foreign portfolio investors and the stock dropped 202 percent due to bonus share dividend and foreign sales adjustments.

Brac Bank and Heidelberg Cement declared a lower dividend on their performance compared to that last year. Brac Bank dropped 17 percent and Heidelberg Cement 21 percent in the last 10 days.

Rahmat Pasha said all of the stocks have huge market capitalisation and they fell massively, so the index was down with the decline.

Apart from these companies, almost all the banks declared lower dividend compared to that in 2018, which impacted investors' confidence, he added.

"When the big companies fall and the index is impacted, all investors become frightened and it then impacts them," he said.

A top official of another leading stock broker, requesting anonymity, said forced sales pressure was a reality of the market now. But the stockmarket regulator should be more active in its monitoring to bring back investors' confidence, he said.

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Investors stage a demonstration outside Dhaka Stock Exchange yesterday protesting continuous fall of the market for around one month.

60pc looms shut for illegally imported yarn

Millers call for intensifying customs vigilance

STAR BUSINESS REPORT

Some 60 percent of over 1 lakh small and medium power looms which were mainly serving the domestic market have been shut down over the last six months.

This is a result of the sale of yarn and fabrics which have been illegally imported through false declarations by a section of unscrupulous traders intending to avail the bond facility.

The scale of power loom closures can be better understood if the case of Sirajganj district is taken into consideration.

Nearly 4,000 out of 10,000 power looms have been shut down there due to the invasion of illegally imported yarn and fabrics, which mainly grabbed the domestic markets, said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA).

Addressing a press conference at the Sonargaon hotel in Dhaka, he said the loom owners have been facing a massive invasion of illegally imported fabrics and yarn in the domestic markets.

Now the loom owners have been running their units at 40 percent below their capacity as they cannot sell their goods at competitive prices, he added.

"While we are issuing complaint we also commend recent initiative of the customs department as some consignments have been seized," Khokon said.

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Bangladesh second fastest growing economy: IMF

Projects less inflationary pressure ahead

REJAUL KARIM BYRON

Bangladesh is among the three fastest growing economies in the world, according to the International Monetary Fund (IMF) -- in yet another thumping endorsement of the country's extraordinary growth momentum.

The economy will grow at 7.3 percent this year, which will be second highest in the world, as per the IMF report 'World Economic Outlook, April 2019: Growth Slowdown, Precarious Recovery' revealed on Tuesday.

Neighbouring India will also grow at the same pace as Bangladesh but Rwanda will grow the fastest at 7.8 percent.

The three countries would be the only ones in the world to log in more than 7 percent growth this year.

The IMF's projection comes on the heels of the World Bank's and the Asian Development Bank's.

The World Bank, which does not use calendar year in its projections like its counterpart IMF, said

Bangladesh would be among the five fastest growing economies in the world this fiscal year with its 7.3 percent growth.

FASTEST GROWING ECONOMIES	
COUNTRY	PROJECTED GROWTH
RWANDA	7.8%
BANGLADESH	7.3%
INDIA	7.3%

The Asian Development Bank tipped Bangladesh to log in the fastest economic growth in the Asia-Pacific region in fiscal 2019-20. This fiscal year, the economy will grow at 8 percent.

The two multilateral lenders' projections for this fiscal year, however, are lower than the prediction of

the government: 8.13 percent.

The IMF projected that Bangladesh will see less inflationary pressure and an improvement in its external position this year.

Inflation will be 5.4 percent this year, which was 5.6 percent last year.

Current account deficit was rising in the last two consecutive years. The negative balance was 2.1 percent of GDP in 2017 and 2.8 percent in 2018. In 2019, the negative balance will narrow to 1.9 percent of the GDP, the IMF report said.

Among other South Asian economies, Bhutan will grow at 4.8 percent, the Maldives 6.3 percent, Nepal 6.5 percent, Sri Lanka 3.5 percent and Pakistan 2.9 percent this year.

The world economy will slow down to 3.3 percent from 3.6 percent last year thanks to a slump in the major economies of China, the US, Germany, Italy and Japan.

Rising trade tension between China and the US is another reason for the slow down in global economy.

Bahrain's Investcorp keen on Bangladesh

STAR BUSINESS REPORT

Bahrain-based private equity and venture capital firm Investcorp is set to invest in Bangladesh as the country's striking economic growth over the past five years continues to grab the eyeballs of global players.

"We have decided to invest in Bangladesh due to the sustainable and impressive performance of the economy," said Mohammed Mahfudh Alardhi, executive chairman of Investcorp, in a press briefing yesterday at the capital' Westin hotel

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Alardhi is on a two-day trip to Bangladesh with a team to explore investment opportunities.

The Investcorp team has shortlisted three sectors to plough their funds into: infrastructure, consumer products and ICT.

The technology sector will get Investcorp's greater focus as the country is lagging behind in it, said Hazem Ben-Gacem, co-chief executive officer of the firm.

He, however, declined to give a timeframe by which their investment would roll in or how much they would invest.

Usually, an investment analysing team assesses the opportunities and then takes a decision. In case of India and China, it took 12 to 24 months to complete the investment process, he said.

In India, the initial investment was \$10 to \$15 million but in China it was \$200 million.

"The investment amount will be decided after analysing the projects," he added.

The delegation met with the business community on the first day of their visit. They held a meeting with the higher ups of the Bangladesh Bank, the Bangladesh Securities and Exchange Commission (BSEC), the Bangladesh Investment Development Authority (BIDA) and finance ministry yesterday.

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Luxury in the hands of few

Says Rehman Sobhan

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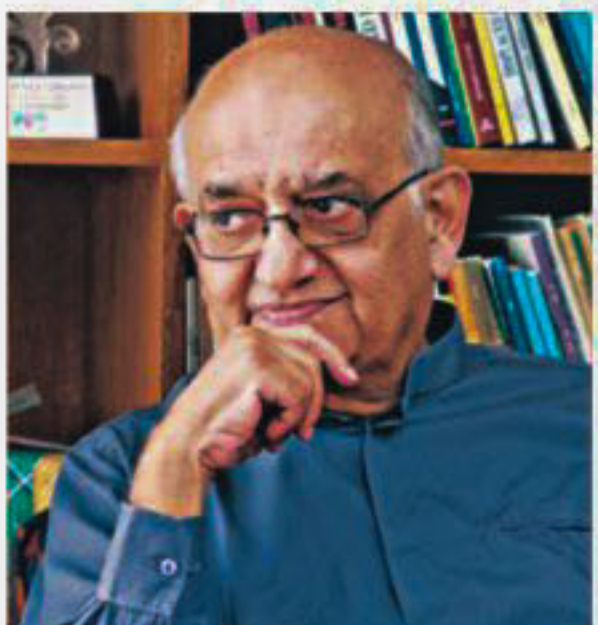
A small number of people are leading the life of the first-world while hundreds of thousands of workers are languishing in the third-world condition in Bangladesh, said economist Prof Rehman Sobhan yesterday.

But there is none to raise the issues of workers or listen to their voices and concerns, he said while speaking at a discussion on expectations of workers and employees in the coming budget for fiscal year 2019-20.

The Trade Union Centre (TUC) organised the event at the National Press Club in the capital.

Sobhan, also the chairman of the Centre for Policy Dialogue, said inequality has risen in society.

It is rising day by day, he said, adding that discrimination in politics would increase with the rise in the discrimination in the economy.



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No VAT registration, no business

Says NBR chief

STAR BUSINESS REPORT

None will be allowed to run business without value-added tax registration once the new VAT law comes into effect from July 1, said National Board of Revenue Chairman Md Mosharraf Hossain Bhuiyan yesterday.

"We will develop a system to ensure VAT registration," he said.

The VAT rates for traders would be determined after the registration, he said at a discussion with the associations, representing services and manufacturing sectors, at the NBR headquarters in the capital.

The revenue authorities arranged the event to hear views and recommendations from stakeholders, particularly businesses, in the run-up to the framing of tax proposals for the next fiscal year of 2019-20.

Bhuiyan made the remarks after Bangladesh Restaurant Owners' Association demanded that the NBR

make VAT registration, officially termed as Business Identification Number (BIN), compulsory for all restaurants.

"Let's all come under the VAT registration. Then the authorities will be able to decide what types of restaurant will be exempted from VAT and what types will be slapped with VAT," said Rezaul Karim, secretary general of the association.

Bhuiyan said only businesses that would pay 15 percent VAT would be able to get rebate on the VAT paid.

The tariff structure will be fixed in a way that ensures revenue collection and facilitates trade and investment.

Bhuiyan was however critical about giving too much protection, saying some sectors fail to stand on their own even after enjoying protection for a long time.

"We will have to come out of the practice of giving protection."

He also sounded tough on the misuse of duty-free import privilege

granted to exporters for importing raw materials, which are used to make exportable products under the bonded warehouse scheme.

"Stern actions will be taken against the exporters who misuse the privilege. We have already started taking action."

Bangladesh Paper Mills Association alleged that paper imported under the bonded warehouse privilege was released by a section of importers into the domestic market, affecting local mills.

Bhuiyan, responding to a plea of the Tourism Developers Association of Bangladesh to allow tourist coaches to be imported at reduced tariff, said the NBR wanted to give incentive to promote businesses.

"But it is misused in many cases," he said, citing that a section of importers brought in cars misusing the duty benefit given to ambulance importers.

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