| STOCKS | | COMMODITIES (As on Friday) | | ASIAN MARKETS (Friday closing) | | | |
|---|---|---|---|---|---|---|---|
| DSEX | CSCX | Gold | Oil | MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
| ▼ 0.03% | ▼ 0.08% | ▲ $1,286.50 (per ounce) | ▲ $70.62 (per barrel) | ▼ 0.26% | ▼ 0.27% | ▲ 0.12% | ▲ 3.10% |
| 5,273.92 | 9,792.17 | | | 37,462.99 | 21,344.92 | 3,273.50 | 2,939.21 |

| CURRENCIES (STANDARD CHARTERED BANK) | USD | EUR | GBP | JPY |
|---|---|---|---|---|
| BUY TK | 83.50 | 92.28 | 107.07 | 0.74 |
| SELL TK | 84.50 | 96.08 | 110.87 | 0.78 |




Star BUSINESS

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# Liquidity crunch intensifying

AKM Zamir Uddin

Liquidity crunch in the banking sector is deepening due to slow growth of deposits and a lethargic recovery of loans.

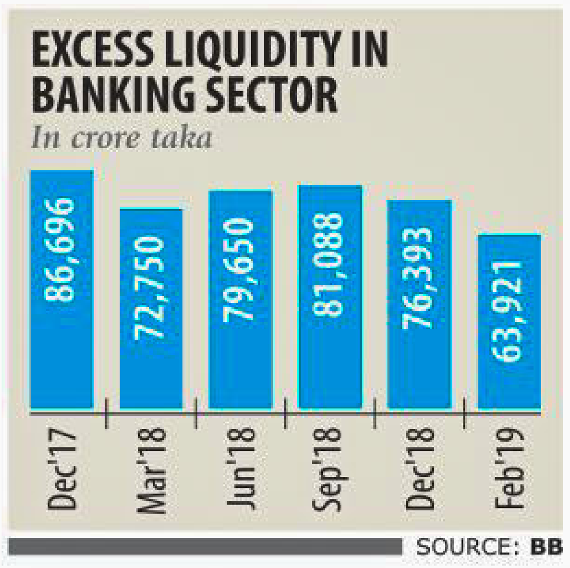
The majority of the banks are now offering 11-12 percent interest rate to attract deposits and yet they are floundering.

The rise in default loans, an erosion of public confidence in the banking sector and the latest central bank's move to ease the loan classification rules are largely blamed for the ongoing liquidity crisis, analysts said.

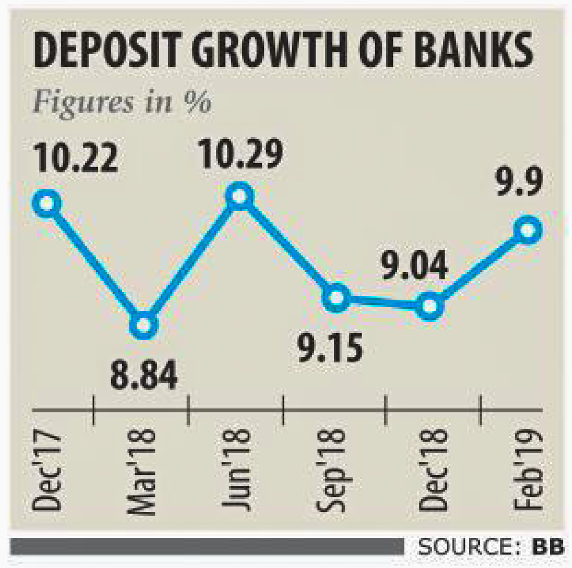
The ongoing implementation of mega infrastructural projects is also fuelling the cash shortage as lenders have been providing import financing to materialise those by way of purchasing the dollar from the central bank, they said. A total of $2.14 billion was purchased by banks between July 1 last year and May 2 this year.

"We are offering 12.50 percent interest for one-year term deposit. Even then we are not getting cash," said a managing director of a non-bank financial institution that relies mostly on banks for funds.

He does not know when the crisis would be resolved as banks have been in severe cash crunch for the past one year. His concern is evident in the banking sector also.



SOURCE: BB



SOURCE: BB

Banks enjoyed more than 10 percent deposit growth in 2017, but the situation took a turn for the worse last year, with growth hovering around the 8-9 percent mark.

The lower deposit growth also had an adverse impact on banks' excess liquidity as the surplus amount stood at Tk 63,921 crore as of February, down 5.82 percent from a month earlier and 14.56 percent year-on-year, according to data from the central bank.

The upward trend of default loans stemming from financial scams and weak supervision by the central bank is eroding the confidence of customers in the banking sector, according to a paper of the Bangladesh Institute of Development Studies.

At the end of 2018, the total default loans in the banking sector stood at Tk 93,370 crore, which is 10.30 percent of the total outstanding loans.

Clients are now concerned about the fragile corporate governance in the banking sector, which is discouraging them to park their deposit with banks, said a managing director of a private bank, wishing not to be named.

The government had instructed its entities last year to keep deposits with banks at an interest rate of 6 percent, but they did not follow the order at all.

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.

The cash-strapped banks are now hunting deposit from the government organisations by offering more than 10 percent interest, which is also responsible for the distortion of the market, said the MD of the non-bank.

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# Extend liquidity support to private banks

*BB urges state banks*

Star Business Report

The central bank yesterday asked four state-run commercial banks to extend liquidity support to cash-strapped private banks.

The state banks, which have a strong liquidity base, have also been asked not to charge high interest rate on the funds to be given to the private lenders.

The instructions came at a meeting between the central bank and the banks – Sonali, Janata, Agrani and Rupali – at the Bangladesh Bank headquarters in the capital.

Fazle Kabir, governor of the central bank, chaired the meeting, where the managing directors of the state banks were present. The central bank sat with the banks as part of its memorandum of understanding with the lenders.

A majority of state-run commercial banks have long been providing liquidity support to cash-strapped banks, said Mohammad Shams-Ul Islam, managing director of Agrani Bank.

"We will keep it up as per instruction of the central bank," he said.

The central bank also instructed the banks to strengthen loan recovery in a bid to rein in the rise in default loans.

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# BB needs operational independence

*World Bank says*

Jebun Nesa Alo

Operational independence is needed for Bangladesh Bank to take supervisory actions and stop the government's interference in the banking sector, said the World Bank.

The WB's review under the Financial Sector Assessment Programme (FSAP) said Bangladesh has made progress in adopting international regulation but important shortcomings remain in the regulatory and supervisory framework.

Operational independence of the BB is not prescribed in the law and it is compromised by the BB's lack of full discretion to take supervisory actions as well as by interference stemming from the government's broad mandate in financial sector issues.

"In addition, corrective actions against banks, especially against state-run commercial banks, are not properly taken. There are no sanctions to directors. And there is extensive forbearance regarding prudential standards."

The BB has no legal basis for consolidated supervision of banking groups, said the report, which was sent to the BB and the finance ministry recently.

The FSAP, a joint programme of the International Monetary Fund and the WB, provides a comprehensive framework through which assessors and authorities in participating countries can identify financial system vulnerabilities and develop appropriate policy responses.

The review came after the BB eased the loan classification rule last month, moving away from international practice and AHM Mustafa Kamal's assertion after becoming finance minister in January that the total non-performing loan (NPL) will not increase by even a penny.

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# Apparel dominates all export policies

*Other sectors should get attention as well, say experts*

Star Business Report

All other labour-intensive sectors did not grow as fast as garment due to lower benefits, said experts yesterday.

Bangladesh has comparative advantage in many other labour-intensive sectors, but the sectors were weighed down by tariff and non-tariff barriers, said Zaidi Sattar, chairman of the Policy Research Institute of Bangladesh (PRI).

He said garment's success came from creating a free trade channel for exports, which is required for every sector.

His comments came at a conference styled "Bangladesh-Leveraging Growth Opportunities in the Neighbourhood" at the auditorium of the PRI. The think-tank and the World Bank jointly organised the conference.

Sanjay Kathuria, lead economist of the WB's Dhaka office, echoed the same, saying it is not a surprise seeing the low diversification in Bangladesh's export basket given garment-centric tariff regime.

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# Hatil brings robot carpenters

*Spends Tk 200cr to renovate its factory*

Mahmudul Hasan

Hatil has invested over Tk 200 crore to renovate its Zirani Bazar factory in Savar with state-of-the-art machinery, including automated robotic systems, in an attempt to take its growing global popularity to newer heights.

The additions led to increased technological dependence for the 20-acre plant but that did not translate into job cuts, much to the relief of around 2,300 human employees of the company, rather it doubled production.

The tech includes a robotic arm for lacquering, computer-aided design machinery and curing equipment using ultraviolet light. Most of the fund came as loans from HSBC, Mutual Trust Bank, Prime Bank and others.


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**A robotic arm applies lacquer to a piece of furniture in Hatil's Savar factory, an automation capable of reaching nooks and crannies, giving an even spray, saving floor space and protecting workers from chemical exposure.**

"...a perfect combination of man and machine," describes Firoz Al Mamun, head of sales and marketing at Hatil.

Inaugurated by the company's chairman and managing director, Selim H Rahman, on Saturday, the Zirani Bazar factory would create furniture and woodwork under three broad categories: home, office and door.

Hatil's primary raw materials are timber of red oak and beech trees imported from Germany, Italy, Japan and the US alongside fabric from China.

In turn, its products reach customers around the globe, in part through 17 franchisee showrooms in India, Nepal, Bhutan and Canada which were opened over the last couple of years.

Customers in the US, Egypt and Middle East also get those through a US-based furniture company. Another eight showrooms will be opened in India soon and one in Malaysia in a few months.

In 2018, Hatil's overall sales amounted to around Tk 250 crore, including Tk 15 crore from exports, which soared over 100 percent year-on-year. Mamun says they were targeting to take this to Tk 400 crore this year.

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# GP faces fresh restrictions

*Minimum call rate to rise 5 paisa from June*

Star Business Report

The telecom regulator has decided to increase the floor price of Grameenphone's call rate by 5 paisa to Tk 0.50 a minute from June as part of the restrictions of being declared a significant market power (SMP) player.

Currently, the minimum call rate is Tk 0.45 a minute and after adding the value-added tax and other duties it goes up to Tk 0.54 to any operator. But for Grameenphone it will be about Tk 0.61 a minute.

However, the hike in minimum call rate is unlikely to impact the existing Grameenphone users as the operator is already charging much higher than the floor price, said Md Jahurul Haque, chairman of the telecom watchdog.

Grameenphone's average call rate is now Tk 0.70 a minute, according to their financial statement.

The higher floor price is one of the four restrictions that the Bangladesh Telecommunication Regulatory Commission has come up with for the country's leading mobile operator.

The telecom regulator yesterday sent a letter to Grameenphone informing the impending four restrictions and sought the operator's feedback on them.

"We have given them 15 days' time. After that we will impose our decisions from the start of June," Haque said.

The market leader will also have to pay 5 paisa more to other operators for calls its subscribers make to another network.

At present, the interconnection cost is 10 paisa a minute. But for Grameenphone it will be 15 paisa, according to the letter. And this extra charge cannot be passed on to their customers.

Grameenphone sends about seven crore minutes of calls to other operators in a day and it receives about 10 crore minutes from the others. Thanks to this gap the market leader earns handsome revenue every day.

With this regulation the gap between the operators will reduce and will create a balance between the operators, said the BTRC chief.

In the third restriction, the BTRC has made it easier for a user to leave Grameenphone under the mobile number portability facility.

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