

STOCKS	
DSEX Closed	CSCX Closed

COMMODITIES	
Gold  \$1,597.00 (per ounce)	 Oil  \$25.55 (per barrel)

ASIAN MARKETS			
MUMBAI 28,265.31	TOKYO 18,065.41	SINGAPORE 2,440.27	SHANGHAI 2,734.52

CURRENCIES			
As on 25.03.2020 STANDARD CHARTERED BANK			
\$ BUY TK	83.95	€ EUR	£ GBP
¥ CNY	98.12	11.69	
SELL TK	84.95	93.47	101.92
			12.29



# BUSINESS

DHAKA THURSDAY APRIL 2, 2020, CHAITRA 19, 1426 BS • starbusiness@thecitizenstar.net



## TAMING CORONAVIRUS RAMPAGE

# Should banks suspend dividends in preparation for stormy days ahead?

AKM ZAMIR UDDIN And AHSAN HABIB

The European Central Bank (ECB) has asked banks in the eurozone to not pay any dividend in order to boost their capacity to absorb losses that will invariably take place for the global coronavirus pandemic that has brought the world down on its knees.

This will support banks to widen lending capacity to households, small businesses and corporate entities during the ongoing financial crisis as well, according to a press release issued by the ECB, the central bank of the 19 countries of the EU.

Lenders of the eurozone should not pay dividends for the financial years 2019 and 2020 until at least October 1, it said.

In a similar move, the Bank of England (BoE), the central bank of the UK, also ordered lenders to cancel plans to offer dividend for shareholders and cash bonuses for executives as it asked financial institutions to boost their strength ahead of a likely recession.

Against the backdrop, the UK's largest lenders -- Barclays, HSBC, Lloyds, Royal Bank of Scotland and Standard Chartered -- confirmed on Tuesday that they would temporarily halt shareholder pay-outs for 2019 and throughout 2020.

Although the ECB and the BoE have almost implemented their plan, Bangladesh's central bank has yet to start any thinking to this end.

When the issue was raised to officials concerned of the central bank yesterday, they told The Daily Star that the Bangladesh Bank should take the same measure in the interest of the country's financial sector as whole.

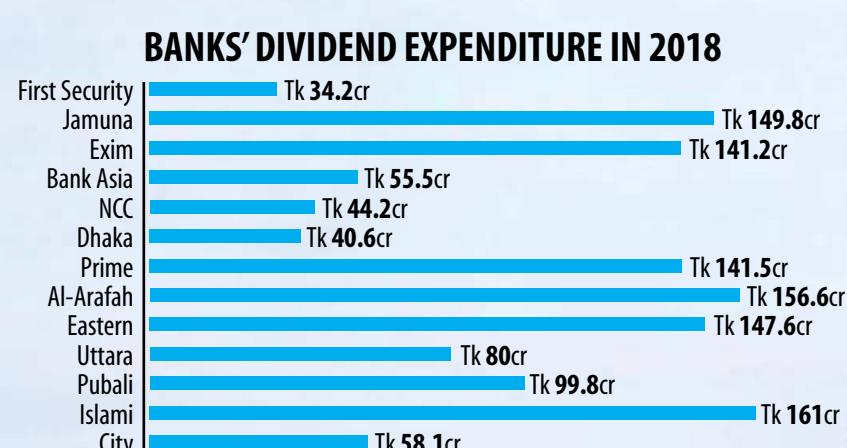
Banks and non-bank financial institutions will be able to set aside more than Tk 2,500 crore if they do not provide dividend to their directors and shareholders.

Some 30 banks and 23 NBFIs listed with the capital market provided cash dividend amounting Tk 1,670 crore in 2018.

There are 94 banks and NBFIs operating in Bangladesh.

A severe liquidity crunch is prevailing in the market as individuals and corporate entities have withdrawn a large volume of deposits from banks in recent days to tackle the impending financial crisis emerging from the coronavirus outbreak, they said.

Banks will get room to lend more if the central bank takes the measure barring



will help them give out loans to affected sectors.

"Besides, incentive bonus for top executive of banks should be scrapped as well," said a managing director of a listed bank.

He, however, said the retail investors of the capital market will face losses temporarily, but they should accept the proposal in the interest of the financial sector.

"If banks face significant losses in the days ahead, they will not give anything from them."

He, however, said the central bank should take a strict stance on the issue such that banks could use the dividends as loans.

Four banks have already proposed to offer dividend, but there is still room to backtrack from the stance as such decisions are finalised at the annual general meetings, which have been postponed for the coronavirus outbreak in Bangladesh, he said.

The central bank will take the decision promptly as other banks will declare their dividend within a week or two, said a high official of the financial sector regulator.

The BB has also cut the policy rate by 25 basis points to 5.75 per cent such that banks can avail funds at a cheaper rate, said a central bank official whose job is to monitor the money market.

"But we are apprehending that people will not deposit money in banks anytime soon as the coronavirus is likely to stay in the country for long."

This means the ongoing liquidity crunch may prolong, so banks will need more funds in the days to come to run their operations smoothly, the official said, adding that directors of banks should take the impending crisis into account.

Asked whether the central bank would take any measure to stop providing dividend, its spokesperson Md Serajul Islam said the BB would take a call on the matter once the lockdown is lifted.

With a view to containing the transmission of the highly contagious novel virus, the government on March 23 announced general holiday from March 26 to April 4. The holidays were extended by a week to April 11.

"We have to take the opinion from the Bangladesh Securities and Exchange Commission to this end before taking such a decision," Islam added.

them from providing dividend.

Although the central bank cut cash reserve ratio by 50 basis points to 5 per cent in order to inject Tk 6,400 crore into the market, this is not enough given the gravity of the financial crisis, the officials said.

But they feared that the central bank will face different challenges in implementing the move as directors of private banks usually enjoy more than 50 per cent of the total lenders' dividends per year.

"And they have a strong political link, so they may oppose the decision," said a

central bank official requesting anonymity to speak candidly on the matter.

The government was earlier even forced to amend the Banking Companies Act 1991 to allow sponsors of private bank to hold directorship for nine years instead six and have four of their family members in the board in place of two.

The Daily Star yesterday spoke with six managing directors of banks on the issue. None agreed to speak on record given the sensitivity of the matter.

They said the proposal of scraping dividend for the time being is good as it

feared that the departure could be deferred.

OEL Delta carrying 367 import containers including 52 refrigerated ones got berthed at a port jetty on Tuesday but only eight reefer containers could be discharged until 1pm yesterday, said Muntasir Rubaiyat, head of operations of the ship's local agent GBX Logistics.

Another vessel, Delaware Trader, carrying 1,171 TEUs of containers including 31 reefers berthed at the port yesterday but it was uncertain when unloading of containers would begin, said Ajmir Hossain Chowdhury, assistant manager of the ship's operating firm Mediterranean Shipping.

Usually 400-450 reefer containers are delivered from the port a day but the number came down to only 100-150 in the last few days, said officials at the traffic department of the port.

At least three vessels with another 100 containers were waiting at the port jetties until yesterday and a delay in unloading the containers will increase the vessels' stay time and raise charges.

Although the arrival of vessels at the port as well as loading and unloading of goods and containers are going on, the limited delivery of the imported products is creating congestion in different yards of the port, the officials said.

Until yesterday, a total of 44,926 TEUs (twenty-foot equivalent units) of containers were lying at the port against its total storage space for 49,018 TEUs.

Officials of Sea Consortium, the local agent of a vessel named Express Kaburu, said the ship had a total of 87 reefer containers but only 50 were unloaded so far.

The vessel that berthed on March 30 was scheduled to leave the port today but it is



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**Factories can pay wages for 3 months from stimulus package**

*Finance ministry sends guideline to BB for implementation*

REFAYET ULLAH MIRSHA AND REJAUL KARIM BYRON

The owners of export-oriented companies and factories can pay wages to their workers for up to three months from the Tk 5,000 crore stimulus package unveiled by Prime Minister Sheikh Hasina.

The finance ministry has formulated a guideline for disbursement of the stimulus package aimed at helping exporters tide over the economic fallout of the global coronavirus pandemic. It sent the guideline to the Bangladesh Bank yesterday.

Now the BB will publish a notice to this end, so that the owners can take out the soft loan.

The interest-free loan will carry 2 per cent service charge and has a repayment period of two years, including a grace period for six months.

As per the guideline, factory owners would have to submit the salary sheets of workers from December to February of 2019, the list of workers and their banking or mobile banking accounts to banks.

Once the verification is complete, banks will disburse salaries for the month of April to the workers' mobile banking or bank accounts, according to the guideline.

Factories that export at least 80 per cent of their products would be eligible for the loans.

The government has come up with the rescue package as the export sectors have been reeling from the impact of the global coronavirus pandemic, which has ground economic activities in its major export destinations such as the EU, the US and the UK to a screeching halt in recent weeks.

"If the government considers the stimulus package as a loan, it will not serve the real purpose," said Shahidul Haque Mukul, managing director of Adams Apparels.

Moreover, the 18-month repayment period is too short for the factories. It should be 10 years and there should be a one-year moratorium on the repayment.

"The factory owners are already in trouble because of the coronavirus, so they will not be able to take the burden of loans. The conditions should be relaxed," he added.

Many workers do not have any mobile financial service or bank account, said M Shahadat Hossain Sohel, chairman of the Bangladesh Terry Towel and Linen Manufacturers and Exporters Association.

"What will happen to them?"

A functional mechanism should be devised soon so that workers can receive salaries without much hassle, he added.

"Our biggest concern is for the workers and we will use the funds to pay their wages. We take the responsibility of our workers," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

As of yesterday, \$2.95 billion worth of orders were cancelled by international retailers, according to data compiled by BGMEA.

But, a few more retailers including Primark, KappAhl, Benetton and Decathlon have agreed to take delivery of goods made under the current work orders, following the lead of H&M, Inditex, PVH, Target, Kiabi and Marks & Spencer.

## StanChart lends helping hand to clients

STAR BUSINESS REPORT

Standard Chartered Bangladesh has announced a set of measures to help its small- and medium-sized enterprises, corporate and retail clients tide over the economic fallout from the global coronavirus pandemic.

The British lender will provide a wide range of financial support to its SME clients such that they can run their business sidestepping the ongoing financial slowdown.

As part of the move, the SME clients can opt not to pay any loan instalment over the next three months.

Three types of products -- loan against property, finance against property (Saadiq customers) and mortgage loans for business-owners -- have been brought under the financial package.

The lender, which has been in Bangladesh since 1905, has extended the trade facilities of up to two months for its business banking working capital clients.

For instance, the bank will give an additional two months to its SME clients to adjust their letters of credit as they are now unable to manufacture or sell their products due to the ongoing shutdown.

The SME clients will also get short-term liquidity facility in the form of working capital to protect their business.

Besides, the Asia-focused lender will allow clients to enjoy more finance against their mortgages if they top up their loans during the crisis period.

Along with the SME clients, corporate customers of the lender will initially be allowed to enjoy one-month payment holiday while repaying their loans.

The lender operating its banking operation in more than 60 countries will extend the payment holidays for its corporate clients on a case-to-case basis.

Both the corporate and SME clients under the financial package will enjoy waiver of penal interest and late payment charges.

Entrepreneurs will also be given a waiver of late payment fee on their credit card charges.

"These are extraordinary times for Bangladesh. We know that more than ever, our clients with impeccable track records, will need support to face this challenge," said Naser Eazaz Bijoy, chief executive officer of Standard Chartered Bangladesh.

In another development, Standard Chartered is resolved to implementing the 9 per cent interest rate on lending rate from April 1 as per the central bank guidelines, which will ease the burden of clients as well, he added.

## Ctg port running out of space

*About 2,900 reefer containers pile up in yards*

DWAIPAYAN BARUA, Ctg

feared that the departure could be deferred.

OEL Delta carrying 367 import containers including 52 refrigerated ones got berthed at a port jetty on Tuesday but only eight reefer containers could be discharged until 1pm yesterday, said Muntasir Rubaiyat, head of operations of the ship's local agent GBX Logistics.

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