

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES					
DSEX	CSCX		Gold ▲ \$1,699.60 (per ounce)		Oil ▲ \$26.75 (per barrel)	MUMBAI ▼ 5.94% 31,715.35	TOKYO Closed	SINGAPORE ▼ 2.31% 2,563.69	SHANGHAI Closed	USD BUY TK 83.95 SELL TK 84.95	EUR 90.86	GBP 103.74	CNY 11.63
Closed	Closed												



star BUSINESS

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TAMING CORONAVIRUS RAMPAGE

State banks to shoulder the burden of delivering stimulus packages

REJAUL KARIM BYRON and AKM ZAMIR UDDIN

The government is mulling over leveraging the state-run lenders' vast branch network to implement a major portion of the stimulus packages.

The number of branches and banking operation of the state-run banks and financial institutions is higher than the private ones, which will help materialise the packages smoothly in both the rural and urban areas, said officials of the finance ministry.

As of November last year, the country's 59 banks have 10,467 branches across the country, according to data from the central bank.

Of the sum, the four state-owned banks -- Sonali, Janata, Agrani and Rupali -- together account for 34 per cent of the branches, and 56 per cent of the branches are located in the rural areas.

The underprivileged people have little access to private banks, which is another reason behind the government's move to use the state lenders.

Besides, private banks are now facing a liquidity crunch in the wake of deposit withdrawal by clients after starting the countrywide shutdown since March 26.

Against the backdrop, the finance ministry will arrange a discussion with the managing directors of all state lenders on

BANK	RURAL BRANCHES	TOTAL BRANCHES
	755	1,224
	462	911
	496	958
	287	572

May 7 to explore ways to implement the packages by using their banking network, said an official of the ministry working on the matter.

Both the government and the central bank have so far declared 18 stimulus packages worth Tk 95,619 crore to tackle the ongoing economic fallout from the global coronavirus pandemic.

The packages, which are equivalent to 3.5 per cent of the country's GDP, will be implemented under the supervision of the Bangladesh Bank and the finance ministry.

The latest move by the finance ministry is in line with a World Bank recommendation.

In a report styled "The Cursed Blessing of Public Bank", the Washington-based multilateral lender on April 12 said the state-run banks in Bangladesh and other South Asian nations can play a positive role in figuring out the financial crisis from the coronavirus pandemic by providing services to the

rural economy.

Although the public banks suffer from inefficiency and are likely to reduce competition and thus slow innovation, their lending can be countercyclical, and they are more likely than private banks to provide services to people in remote areas and poor people during a recession, it said.

In the current economic situation, public banks are needed to provide countercyclical lending -- as they did during the last global financial crisis between 2008 and 2010, the WB added.

In Bangladesh, the state-run banks have long been the Achilles heel of the banking sector thanks to their escalating default loans.

As of last year, more than 50 per cent of the defaulted loans are with the eight state-run banks.

But there is little scope for the state-run banks to misuse funds from the stimulus package, which will be provided from the refinace schemes.

The central bank will provide more than Tk 50,000 crore in the form of six refinace schemes to keep the wheels of the economy moving.

The BB will provide fund from the

refinance schemes by ensuring the credit history of the borrowers; no habitual borrower will be allowed to take any benefit from the stimulus packages, said a BB official.

The state-run banks though are raring to act as the delivery personnel for the stimulus package.

"We are well-prepared," said Md Obayed Ullah Al Masud, managing director of Rupali Bank, adding that the lender normally gives financial services to the rural poor.

Janata Bank has disbursed more than Tk 9,000 crore to the country's small and medium enterprises sector and it will extend further credit support to the zone to tackle the crisis, said Md Abdus Salam Azad, its managing director.

Agrani Bank has adequate liquidity, which will enable it to implement the stimulus packages, said its Chairman Zaid Bakht.

"But a good amount of loans under the stimulus package will have to be provided to borrowers without collateral securities, which is a matter of concern," he said, while advising the government to use the microfinance institutions to implement the packages as well.

In another notice, the finance ministry asked the state lenders to adopt austerity measures given the ongoing recession.

The ministry asked banks to halt to purchase of immovable assets, stop renting new office space and cut back on expenditure for the board and annual general meetings.

The chairmen and managing directors of the banks have been instructed not to go abroad unnecessarily.

The fund allocation for printing promotional materials for the banks' financial products will have to be reduced as well.

British upscale brand Debenhams leaves its Bangladesh apparel suppliers high and dry

REFAYET ULLAH MIRDHA

Garment exporters who supplied to the struggling British department store Debenhams have run into a brick wall.

The brand, which used to purchase more than \$120 million worth of mainly high-end garment items from 40 manufacturers in Bangladesh in a year, has now demanded a mindboggling discount from its suppliers here.

It has sought a 90 per cent discount, meaning it will pay only \$1 if the price of a woven shirt was fixed at \$10 when the goods were shipped.

"This is absurd," Zahangir Alam, the coordinator of Debenhams Vendors Community in Bangladesh, told The Daily Star over the phone yesterday.

Currently, Debenhams, which has appointed an administrator last month, its second in the past year, owes a staggering \$66 million to its vendors in Bangladesh.

Of the amount, garment items worth \$26 million is lying in the UK ports and another \$40 million is in the factory floors ready to be shipped.

"We are uncertain about receiving payment from Debenhams as the company has appointed administrators," said Alam, also the managing director of Design Source.

The indebted retailer had problems before the health crisis and on April 9 confirmed the appointment of restructuring firm FRP Advisory to handle a "light touch" administration of the 142-store chain.

The administrators would work alongside existing management to "get the business into a position to re-open and trade as many stores as possible again when restrictions are lifted".

However, it also warned that FRP Advisory would be putting its Irish chain into liquidation, which would mean the permanent closure of 11 stores that employ around



REUTERS

A pedestrian walks past a boarded-up store of Debenhams in the UK.

1,260 people.

Initially, Debenhams sought 60 days moratorium from Bangladeshi suppliers to pay \$70 million up to March, but later it sought another 30 days.

"We will hold a virtual meeting tomorrow with the administrators and the sourcing head of Debenhams to demand our payment," Alam said.

Demanding a 90 per cent discount from the suppliers is abnormal. Many small and medium scale factories will not be able to sustain such a big blow to their business.

Alam is ready to help Debenhams so that the company can make a turnaround.

"But we can at most handle 15 per cent discount," he said. Moreover, if the UK court declares Debenhams as bankrupt, it will take at least five years to get any money, by which the local suppliers will crash and burn.

Alam went on to urge the governments of the two countries to work together to find an amicable solution to this problem.

"Otherwise we will be in more trouble during this critical time," he added.

Meanwhile, Debenhams has already laid off all 69 employees in its Dhaka office on April 15, said one of the terminated employees requesting anonymity.

The British chain had opened the liaison office in Dhaka in 2013.

The termination of the employees is illegal because the move does not follow the agreements that were signed with the Bangladesh Investment Development Authority.

"We are communicating with the Debenhams headquarters to obtain our dues."

Asked about the pending payments, he said: "Since we are no longer official employees of Debenhams, we cannot say anything about the payments to the manufacturers and vendors."

The Daily Star contacted the British company but got no response at the time of filing the report.

At last the Ctg port is looking less jam-packed

DWAIPAYAN BARUA, Ctg

The Chattogram port is finally drifting away from a standstill as the seemingly never-ending congestion both at the terminals and the outer anchorage is clearing up following a string of measures taken by the port authority and the government.

Steps that yielded results include the National Board of Revenue's temporary permission for shifting imported goods to inland container depots (ICDs) and a complete waiver of container store rent for a week.

As the waiver of container storage fees expired yesterday, the Bangladesh Garment Manufacturers and Exporters Association appealed to the Chittagong Port Authority to extend the time, but the CPA was yet to make a decision.

Though delivery of containers gained momentum to some extent and some import containers could be shifted to private ICDs, port officials think the rate of container delivery from the port yards could have been faster.

A total of 15,038 TEUs (twenty-foot equivalent units) of import containers were transferred from the port to the off-docks in the last 10 days, according to data from the port authority and 19 private ICDs.

The number of total containers lying at the port yards was 47,441 TEUs until yesterday against the port's capacity of

49,018 TEUs.

Because of the freed up space in the port yards, the number of containers loaded and unloaded each day has doubled to 8,420 TEUs on Saturday, the highest since the government-announced holidays started on March 26.



RAJIB RATHAN

Trucks and covered vans waiting in queues to take delivery of imported goods from Chattogram port. The photo was taken at New Mooring Container Terminal on April 30.

Currently, more than 4,000 TEUs of import containers can be unloaded every day allowing vessels to complete loading and unloading goods at a faster rate, which helps reduce the vessels' stay time at jetties.

Vessels' berth occupancy time that had reached 6-7 days last month came down

to 3-4 days now, port officials said. The vessels' waiting time at the outer anchorage for getting berths has also dropped to 13-14 days from 16-18 days.

Subsequently, the number of vessels waiting at the outer anchorage declined to 24 yesterday though the number hovered around 36 before the steps were taken.

Mahbubul Alam, president of the Chittagong Chamber of Commerce and Industry (CCCI), expressed satisfaction over the improvement of the port's performance.

The supply of some commodities like ginger has increased and their prices also came down due to the faster delivery of the import containers in the last few days, he said.

However, the number of import containers lying on the yards is still much more than the capacity of the port: a total of 44,920 TEUs of containers piled up until yesterday against the capacity of 39,518 TEUs.

"Though a good number of import containers were shifted to the private ICDs, the delivery of goods from the port yards is yet to speed up to the expected level," said Md Zafar Alam, member (admin and planning) of the CPA.

Direct delivery from the port still remains at 1,600 TEUs to 1,700 TEUs a day against the average daily delivery of 3,500 TEUs to 4,000 TEUs under normal circumstances.

Delinquent borrowers rush to take advantage of no interest on loans for Apr, May

AKM ZAMIR UDDIN

The country's banking sector has seen a declining trend of lending in recent days as the majority of businesses have put on hold their expansion plans or trading due to the ongoing economic fallout from the global coronavirus pandemic.

But the situation changed suddenly yesterday soon after the central bank had eased the interest payment for borrowers from April to June.

The businesses requested lenders either to increase their credit ceiling or give out the undisbursed portion under their demand or continuous loans.

Clients are allowed to take loans in line with their loan requirement in phases as per the credit ceiling set by banks for demand or continuous loans. "The sudden credit demand is completely absurd. And the majority of the loan seekers is delinquent. So, we have been compelled to request the central bank to stop the rush," said a managing director of a bank wishing not to be named.

The central bank directed banks on May 2 to

transfer all interest accrued or to be accrued between April 1 and May 31 this year from all of their loans to an interest-free blocked account.

This has helped the borrowers during the ongoing fallout as banks are not permitted to impose compound interest on the total outstanding loans of the businesses.

But, a portion of borrowers tried to misuse the facility, which forced the central bank to issue a fresh notice yesterday asking lenders to provide the credit support on the borrowers given their outstanding loans until March 31.

"Banks now face huge losses due to the recession as a portion of the delinquent borrowers is still trying to misuse the banks' fund," the MD said.

This is a good measure beyond doubt as it has stopped the vested quarter from embezzling the public money from banks, he said. A blocked account refers to an account that does not allow for the indiscriminate withdrawal but instead has certain restrictions or limitations on when, how much, and by who, capital can be withdrawn.

Besides, banks are not allowed to transfer the

interest or profits deposited in the blocked account of the borrowers to lenders' income book until further notice, according to a Bangladesh Bank notice. If any borrower does not give any interest under the block account facility, banks are not allowed to ask clients to pay back the amount until further instruction.

The creation of the block account means borrowers might get further facilities in the days ahead, a BB official said.

"The central bank may either ask banks to waive the whole amount of interest in the block accounts or adjust the amount with their principal amount of loans," he said.

The central bank is yet to take any decision to this end. The government earlier assured businesses of taking an initiative to reduce their burden of high-interest bill.

If the interests or profits have already been shown as incomes, it has to be adjusted through a reverse entry. A decision on adjusting the interest or profits transferred to the blocked account will be issued later, the notice said.

BB measures to support small businesses: FBCCI

STAR BUSINESS REPORT

The country's apex trade body has welcomed the central bank measures that aimed at channelling funds to small businesses hit hard by the coronavirus pandemic.

Banks and institutions have also been urged to disburse loans in the shortest possible time by adopting the simplest procedure possible in all steps from receiving application to loan disbursement, said the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) in a statement yesterday.

It also lauded the Bangladesh Bank instruction to transfer all interest and profit on all types of loans and investments imposed between April 1 and May 31 to interest-free blocked accounts.

"The FBCCI believes the business community will particularly benefit from the facility," it said.

On April 5, Prime Minister Sheikh

Hasina declared a financial assistance package of Tk 20,000 crore to introduce low-interest working capital loan through the banking system with a view to retaining the capacity of cottage, micro, and small and medium enterprises (CMSMEs) and jobs.

Following the prime minister's announcement, FBCCI President Sheikh Fazle Fahim submitted a proposal to the BB.

"Most of the CMSMEs entitled to the working capital loan and investment facility have minimal infrastructure and relationship with bankers compared to others," he said in the statement.

So, if these entrepreneurs were selected upon reviewing basic standards, financial statements and internal credit risk rating system, many would fail to meet qualifications, he said.

He also called for an easy access to credit for all newspapers and television stations.