

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.19%	▲ 0.42%	\$1,891.60 (per ounce)	\$40.07 (per barrel)	▲ 1.27%	Close	▲ 2.21%	▲ 1.42%	BUY TK 83.95	96.76	107.51	12.36
4,928.01	8,495.60			40,261.13		2,497.22	3,271.07	SELL TK 84.95	100.56	111.31	12.99

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Banks see their loss-making branches soar

Thanks to scams in the sector, popularity of digital banking

AKM ZAMIR UDDIN

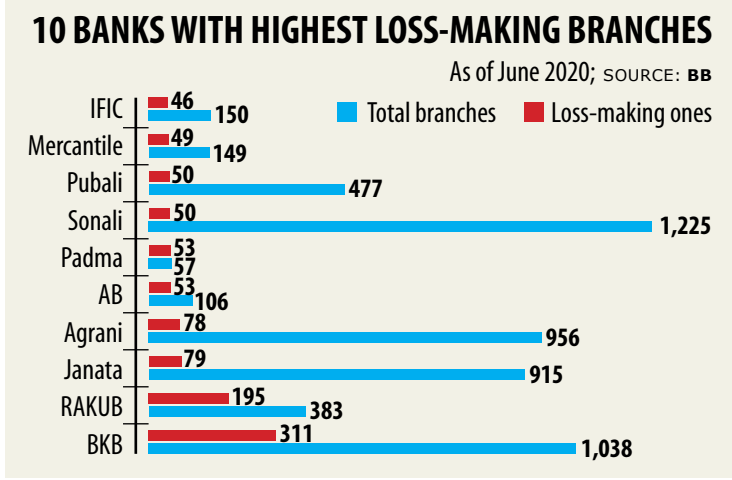
People's reluctance to secure financial services in person amid the coronavirus pandemic and a lack of corporate governance have driven up the number of unprofitable branches of banks in Bangladesh.

The number of loss-making branches rose 36 per cent year-on-year to 1,907 in June, data from the central bank showed.

This meant the banking sector has 18.22 per cent of their brick and mortar outlets in the red, up from 12.19 per cent among 10,450 branches in December last year.

People have embraced digital banking to avoid going to branches to keep the highly infectious disease at bay, dealing a major blow to the traditional banking operation.

"Agent banking and mobile financial service providers are



offering financial services and this has discouraged clients from visiting branches," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

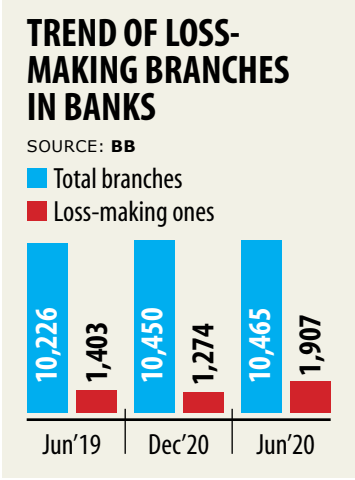
Although the majority of banks managed to make a profit

on papers in the six months to June, the number of loss-making branches for almost all banks rose. The branches that had earlier been at a break-even became loss-making, said Mansur, also the chairman of Brac Bank.

"Banks would have to accelerate their shift from the traditional branch-led model to digital banking."

Brac Bank has decided not to open any new branch in the days ahead as it has embraced branchless banking, he said.

Local banks are now following the path of their peers in the developed economies, where lenders began the move to digital banking more than a decade ago



and their switch has received a shot in the arm during the pandemic.

For instance, Deutsche Bank, the largest lender in Germany, is planning to close one in five domestic branches as clients prefer online banking to brick and mortar outlets to avoid catching the flu, according to a recent report of the Financial Times.

This will help the lender return to profit as well. The bank has declared it would shut around 100 branches to bring down the total to 400 in Germany.

Banks in the UK shut 3,303 branches between 2015 and 2019.

Even before the pandemic-induced business slowdown,

some banks in Bangladesh had a higher number of unprofitable branches and weak financial health due to a lack of corporate governance.

For instance, Padma Bank has 53 loss-making branches out of its 57. Weighed down by financial scams, the fourth-generation bank is yet to become a profitable lender.

"Padma Bank has taken several initiatives to reorganise the loss-making branches," said its Managing Director Md Ehsan Khasru.

"As part of the move, we will close some branches and open agent banking booths in their places such that clients can avail required banking services," he said.

Also, the lender would open new branches in the potential areas to make profits, Khasru said. AB Bank is another beleaguered lender in terms of unprofitable branches. Half of 106 branches of the lender, which also faced financial scams in recent years, turned into loss-making.

Tarique Afzal, managing director of the private commercial lender, said a significant number of branches of the bank incurred losses in the first half of 2020 because of the business slowdown caused by the pandemic.

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Meghna Group setting up Tk 400cr ceramics factory

JAGARAN CHAKMA

Meghna Group of Industries (MGI) is investing Tk 400 crore to set up a ceramics factory at the Meghna Economic Zone in Narayanganj as the conglomerate looks to establish its footprint in the country's burgeoning sector.

"We are installing the required machinery at the new unit, which is expected to go into commercial production by next March or April," said Mostafa Kamal, chairman and managing director of MGI.

The factory was supposed to begin operations in July but there were delays in developing physical infrastructure and installing equipment as the project's technical experts from Europe, Taiwan and China returned homes following the coronavirus outbreak.

Since most of the experts have come back now, the development work of the new unit has resumed.

Another impediment that delayed the implementation of the project is the lack of gas connection even though MGI has deposited all the necessary fees.

"Industrialists suffer to secure gas and power connections on time and this slows the rate of investment and production," Kamal said.

The new factory will generate at least 1,500 jobs, the entrepreneur said. The unit will have the capacity to produce 40,000 square metres of ceramic tiles per day.

Through the investment, MGI plans to produce world-class tiles that will cater to the country's ever-increasing demand for standard construction materials.

Kamal said the ceramics sector is rapidly rising in Bangladesh as people from both urban and rural areas use tiles.

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BB issues guideline for credit guarantee scheme

Aims to boost cottage, small and micro enterprises

AKM ZAMIR UDDIN

Bangladesh Bank yesterday rolled out a guideline for the credit guarantee scheme (CGS) to give the much-needed boost to the cottage, small and micro enterprises (CSME) that are struggling to stay afloat amid the Covid-19 fallout.

Lenders will be allowed to avail 30 per cent of their total distributed loans from the CGS if the amount disbursed becomes defaulted, according to the central bank guideline.

The CGS will be applicable for loans given to firms in the CSME sector and both banks and non-banking financial institutions will be allowed to enjoy the CGS fund.

The board of Bangladesh Bank approved the scheme, worth Tk 2,000 crore, for entrepreneurs in the CSME sector to help them tackle the ongoing crisis brought on by the coronavirus pandemic.

The central bank formed the CGS by way of taking the government fund in the wake of continuous reluctance from lenders to give out loans under the stimulus package.

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JAGARAN CHAKMA

Bangladesh could sign an agreement with India next month to begin construction of the India Special Economic Zone (ISEZ), where billions of dollars of investment are expected to pour in from the neighbouring country.

The deal between the Bangladesh Economic Zones Authority (Beza) and Exim Bank of India may be up for signing during a virtual meeting between the prime ministers of the two countries next month, Beza officials said.

The final draft of the agreement has been prepared and shared with the Indian side.

India approved \$115 million for the project on June 11 under its third line of credit amounting to \$4.5 billion. The Indian authority has sent a shortlist of consultancy firms to finalise the consultants.

The consultancy firm would design the zone and supervise construction.

Beza is ready to hand over the land to Indian developer Adani SEZ to start the development work at the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Mirsarai, Chattogram. The ISEZ, to be set up on 1,000 acres of land, will be exclusively for Indian investors.

Now, discussions are underway over whether Beza will go for a profit-sharing model with developers or charge them rent for land use, he said.

Beza expects the project to be ready for factory set-up by June 2021 and the factories to go into operation in full swing by 2023.

The number of companies that will set up shop at the ISEZ is yet to be finalised. The zone is expected to create about 3 lakh jobs directly, said Paban Chowdhury, executive chairman of the Beza.

KEY POINTS

- Agreement for infrastructure development to be signed in Dec
- Total land: **1,000** acres
- India to provide: **\$115** million
- Jobs to be created: **3** lakh
- To be complete in: 2023
- The economic zone will have jetty/port facilities
- Major industrial units to be built: IT, automobile, textiles, engineering, leather

"We will sign a commercial agreement with Adani Ports and Special Economic Zone Ltd (APSEZ) shortly to start the implementation work after completing necessary negotiations," Chowdhury added.

He also said Beza prefers the profit-sharing model. The successful implementation of the ISEZ would reduce the trade imbalance between the two countries which is heavily tilted towards India, according to the executive chairman.

In fiscal 2018-19, Bangladesh's merchandise shipments to India amounted to \$1.24 billion, crossing the \$1-billion mark for the first time, as per data from the Federation of Bangladesh Chambers of Commerce and Industry.

Bangladesh imported goods worth \$7.64 billion in the same year.

"Formalities have almost been completed as Adani Group

does not want to waste time," Chowdhury said.

Adani, India's largest private port operator, wants to set up a dedicated port in the zone.

The group plans to invest \$350 million in Bangladesh to establish an industrial park in the zone under a joint venture with Wilmar, a Singapore-based manufacturer of agro-based foods and allied products.

India also wants to set up an economic zone in Mongla, Bagerhat. But Chowdhury said his office has proposed the Indian side shift the project to the BSMSN as the industrial park in Chattogram would be able to provide more land.

Bangladesh has targeted to set up 100 economic zones to promote balanced development of multi-product industries in different parts of the country, create jobs and attract foreign investment.

MD FAZLUR RAHMAN

The number of people using internet on their mobile phones in Bangladesh crossed the 10-crore mark in September as customers' shift towards the digital sphere to carry out tasks made further gains owing to the coronavirus pandemic.

The number of internet users rose 13 per cent year-on-year to 11.11 crore in September, data from the Bangladesh Telecommunication Regulatory Commission showed yesterday. It was 9.84 crore in the same month last year.

Now, 10.25 crore subscribers use internet on their handheld devices and the rest rely on the services provided by internet service providers and public-switched telephone network operators.

In another milestone, mobile phone subscribers grew 2.26 per cent year-on-year to 16.71 crore in September to reach an all-time high. The number of active mobile phone users stood at 16.34 crore in the same month last year. With September's uptick, the number of mobile phone users went past the pre-pandemic high of 16.61 crore posted in February.

Taimur Rahman, chief corporate and regulatory affairs officer of Banglalink, said, "We are trying to make a recovery in the post-pandemic period as economical activities are regaining the normal pace especially after the lockdown."

He credited people's improving financial condition and buying capacity for the uptick in the number of mobile phone subscribers and



Improving financial condition of people was behind the uptick in the number of mobile phone subscribers and internet users, an industry insider says.

STAR/FILE

internet users. Market leader Grameenphone's customers jumped 2.51 per cent to 7.76 crore in September from 7.57 crore in last year.

Robi Axiata, which went past the 5-crore landmark in September, took its tally to 5.01 crore at the end of the month, up from 4.82 crore in the same month last year.

Third-placed Banglalink had 3.48 crore subscribers in September, down from 3.5 crore a year ago. The number of users of state-run

Teletalk was 46.12 lakh in September compared to 45.27 lakh in the same month in 2019.

"As internet usage is increasing among people for their daily activities, we have lowered the prices of many of our data packages, and in some cases increased the volume of data while keeping the price the same," Rahman said.

He said Banglalink saw a rise in the usage of a few of its digital products such as Toffee and self-care app during this period.

