Star BUSINESS

DHAKA SUNDAY JANUARY 31, 2021, *MAGH 17, 1427 BS* ● starbusiness@thedailystar.net

Banks show lacklustre performance in disbursing farm stimulus

A third not yet disbursed even though BB's deadline is March 31

AKM ZAMIR UDDIN

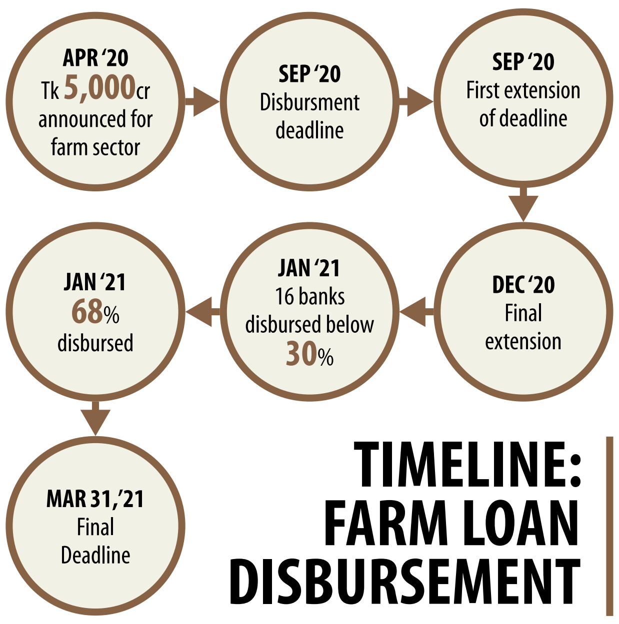
Banks are still far from meeting the disbursement deadline for farm loans under the associated stimulus package of Tk 5,000 crore as a third of the fund is yet to be given out.

When the package was announced in April last year in the form of a refinance scheme, Bangladesh Bank asked banks to give out the fund by September 30.

But they had repeatedly exhibited a poor performance to this end, forcing the central bank to extend the timeframe twice.

On December 29, banks were asked to fulfil their disbursement target by March 31 but they have so far distributed Tk 3,411 crore, or 68 per cent of the package, according to data from the central bank.

A total of 144,903 clients have availed the fund in attempts to make their businesses vibrant.



Participation agreements with the central bank have been signed by 43 banks to disburse loans from the stimulus fund dedicated to reviving the agriculture sector.

Of them, 16 achieved less than 30 per cent of their respective loan disbursement target set by the banking regulator till January 15, an unwelcome development as the government looks to make a prompt recovery from the economic fallout of Covid-19.

The 16 are IFIC, Trust, First Security, Standard, Southeast, Mutual Trust, Jamuna, NRB Global, BASIC, Dhaka, Bangladesh Commerce, Al-Arafah, Social Islami, South Bangla Agriculture and Commerce, Shimanto and Union.

The tenure for the loans is 18 months, including a grace period of six months at both the banks' and clients' ends. Banks will borrow from the refinancing scheme at 1 per cent interest rate and lend at 4 per cent.

Farmers engaged in five agricultural sub-sectors are entitled to enjoy the low-cost fund.

These are: fruits and flowers, fisheries, poultry, dairy and livestock and the businesses selling agriculture commodities.

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Major drug makers pull in bigger profits

AHSAN HABIB

Bangladesh's leading listed pharmaceutical companies have bagged higher profits in the first half of the current financial year which began in July 2020, a result of people starting to see doctors again.

Despite the November to January period being a slow season from the usual business perspective, there was a year-on-year jump in profit growth in the six months.

Profits rose for all six drug makers who have published their financial reports.

For Square Pharmaceuticals, it was 12.79 per cent to Tk 776 crore. It had also witnessed higher profits in the preceding six months amid the coronavirus pandemic.

The drug maker's profit was 31 per cent of its turnover in the past six months till December. It was 28 per cent in fiscal 2019-20 and 27 per cent in the year before.

With doctor's practices opening and patients starting to come over, pharmaceutical companies are doing well, said M Mohibuz Zaman, chief operating officer of ACI Pharmaceuticals.

ACI Pharmaceuticals is doing its business at a normal growth rate and in the last half year it was 9 per cent, he said.

Despite business cycle tending to be slow in the October to January period, the pharmaceutical companies have done well this year, he said.

This is because many patients refrained from going over to the doctors' chambers during the first few months of the pandemic, Zaman said, adding that the December to January period undergoes a massive business slowdown for the drug makers.

Due to it being the cold season and harvesting period, people cut back on going to the doctors, he clarified.

Md Jubayer Alam, company secretary of Renata, echoed the same, saying that doctors had not promptly started running their practices soon after the general leave was lifted at the end of May.

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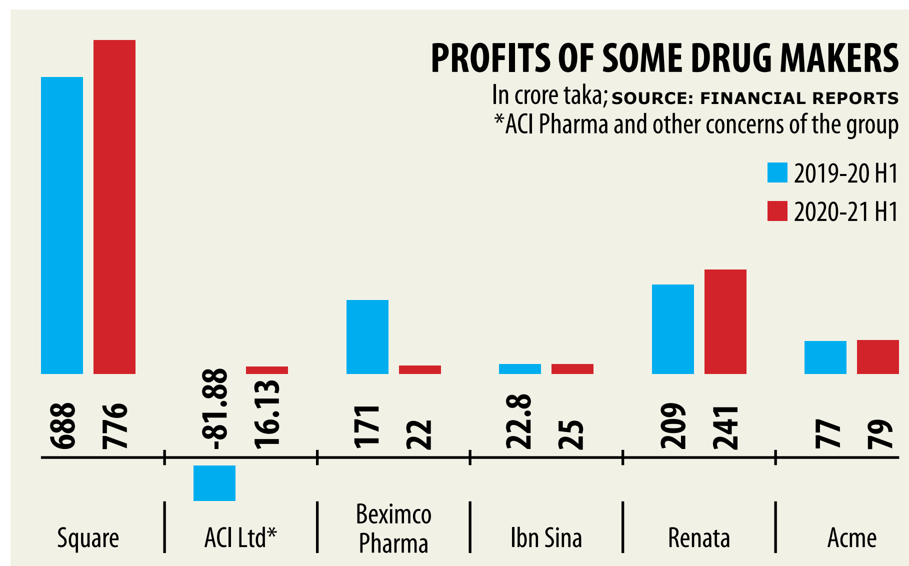

BSEC offers exit plan for poor performers

Investors now protected from complete loss in case of delisting

AHSAN HABIB *and* REFAYET ULLAH MIRDHA

The Bangladesh Securities and Exchange Commission (BSEC) recently issued a directive offering companies not performing well an exit plan that would help protect small investors in case of delisting.

When a company's performance goes down, it is either traded as a junk stock in the over-the-counter market or gets delisted. In any case, the investors get next to nothing from their stocks.

United Airways is one such case as it was delisted last month by order of the market regulator.

After the delisting, general investors, considering the face value of their stocks, incurred losses of around Tk 786 crore.

Meanwhile, Beximco Synthetics applied to delist itself from the stock market last September.

With the new directive though, either the regulator or company itself will be able to delist the company in question by paying back its investors, according to BSEC Spokesperson Rezaul Karim.

Those who want to keep a stake in the company will have to buy out the other investors so that when it is delisted, any new investors will not be impacted while the existing ones would get their money back, Karim said.

"The BSEC came up with this exit plan in order to protect investors," he added.

Under the directive, listed companies from a bourse's main trading board, delisted securities trading in the over-the-counter market, delisted securities trading under the alternative trading boards and all other securities are eligible for the exit plan.

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96pc small enterprises suffer fall in income: study

STAR BUSINESS REPORT

Some 96 per cent of Bangladesh's micro, small and medium enterprises (MSMEs) witnessed a fall in income with the median loss in business reaching 82 per cent amid the Covid-19 fallouts, according to a recent study.

Customer footfall decreased 67 per cent on an average for respondents of a survey carried out under the multi-country assessment study on the pandemic's impact on MSMEs and women in Asia and Africa.

The small-scale firms in rural areas are having to travel to central depots to collect supplies due to massive disruptions to supply chains.

Furthermore, some 36 per cent of the entities reported a decline in the availability of supplier credit, with a third of the suppliers not offering in apprehension of non-repayment by end-customers.

Combined with pending receivables, this has hurt cash flows as 58 per cent of the small businesses reported a reduction in household expenses.

STAR/FILE

Despite a rise in living costs in urban areas, most small enterprises witnessed a fall in household expenses, the survey finds.

With a rise in living costs in urban areas, 68 per cent of the urban enterprises witnessed a fall in household expenses compared to 33 per cent of their rural peers, the report said.

These findings were made public by MicroSave Consulting (MSC) through a workshop it organised on the issue last Thursday with Swiss Capacity Building Facility.

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Telcos freed from VAT on revenue sharing

STAR BUSINESS REPORT

The National Board of Revenue has exempted mobile phone operators from value-added tax (Vat) on revenue shared with the Bangladesh Telecommunication Regulatory Commission (BTRC).

After paying 15 per cent VAT, local network operators have to deposit 5.5 per cent of their revenue to the BTRC as a part of the regulatory body's condition for using 2G and 3G licences.

As per the rules, there is a provision to pay 15 per cent VAT at source on the amount to be paid as revenue shared with the BTRC.

However, as the indirect tax is collected before depositing the revenue-sharing amount, collection

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Low profits pushing farmers away from legume cultivation

MOSTAFA SHABUJ, *Bogura*

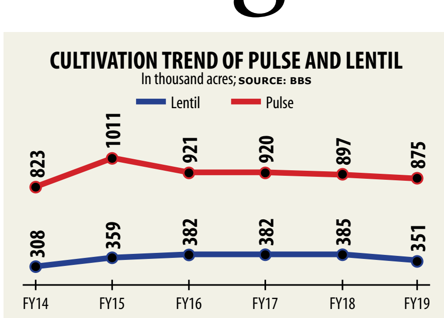
Farmers in various areas of the country are gradually shifting away from legumes in favour of other crops as lentils and pulses have become less profitable now.

Legume cultivation in four districts -- Bogura, Joypurhat, Pabna and Sirajganj -- decreased 19 per cent from nearly 60 lakh acres in fiscal 2016-17 to around 49 lakh acres in the current year, according to data from the Department of Agricultural Extension (DAE) office in Bogura.

The situation is similar at the national level as farmers grew various pulses and lentils on 10.11 lakh acres in 2014-15 while it was 8.75 lakh acres in 2018-19, data from the Bangladesh Bureau of Statistics shows.

Individually, lentil cultivation fell to 3.51 lakh acres in 2018-19, down 9 per cent year-on-year from 3.85 lakh, while the production of Indian peas dropped 7 per cent to hit 2.57 lakh tonnes over the same period.

Farmers say that they are no longer



enthusiastic about growing lentils or pulses as the high-protein crop's low yield make it hard to turn a profit.

Besides, the crop's susceptibility to rain and cold is another reason for the farmers to lose interest.

"Lentil cultivation is not growing as other crops, mainly vegetables, are more profitable during winter," said Ohbiul Islam, a farmer of Salimpur village under Ishwardi upazila of Pabna, one of the biggest lentil producing districts in the north.

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MOSTAFA SHABUJ

A farmer in Kuripara char under Bogura's Sariakandi upazila is working in his lentil field.

Lentil imports on the rise

Low domestic production the cause, experts say

SOHEL PARVEZ

Bangladesh's lentil imports are on the rise due to increased consumption amid inadequate domestic production.

Farmers produce 1.75 lakh tonnes of lentils annually while various businesses and importers say that the country's yearly requirement is around 6-7 lakh tonnes.

Lentil imports hit 5.21 lakh tonnes between July-September of 2020, a 58 per cent increase compared to the same period the year before, data from the Bangladesh Bureau of Statistics shows.

"Consumption is increasing and imports have shot up," said Abul Bashar Chowdhury, chairman of BSM Group, one of the leading importers of consumer goods.

The ongoing coronavirus pandemic has also boosted the demand for pulses as many people want to avoid animal based protein in fear of infection.

Annual imports stood at around 2 lakh tonnes four to five years ago.

"It appears that farmers are switching to high-value crops in search of higher incomes. We used to see downward pressure on prices when domestically produced lentils

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PRAGATI LIFE INSURANCE

Commerce Minister Tipu Munshi hands over a "7th ICSB National Award 2019" for corporate governance excellence to MJ Azim, CEO of Pragati Life Insurance, at a hotel in Dhaka recently.

THE BANGLADESH EMBASSY IN THE HAGUE

Hossain Zillur Rahman, chairperson of Brac, and Riaz Hamidullah, Bangladesh ambassador to the Netherlands, attend an "e-Conclave of Dutch NGOs engaged in Bangladesh" recently organised by the Dutch embassy through a digital platform, where Dutch NGOs reiterated their support for Bangladesh.

SOCIAL ISLAMI BANK

Quazi Osman Ali, CEO of Social Islami Bank, opens seven new agent banking outlets in Jangalia in Lakshmipur, Chowmuhoni Purbo Bazar in Noakhali, Naya Bazar in Chattogram, Lobon Chora in Khulna, Shibpur New Market and Choara Bazar in Cumilla and Dumuria Bazar in Chandpur through a digital platform on January 28.

MUTUAL TRUST BANK

Md Hedayetullah, chairman of Mutual Trust Bank, launches women-focused banking solutions MTB Angona at the bank's corporate head office in Dhaka recently. Managing Director Syed Mahbubur Rahman was present.

PREMIER BANK

HBM Iqbal, chairman of Premier Bank, attends its "Annual Business Conference 2021" at Renaissance Hotel Gulshan Dhaka yesterday. CEO M Reazul Karim was present.

Chevron reports annual loss of $5.5b on lower oil prices

AFP, *New York*

Chevron reported a fourth-quarter loss Friday to conclude a rocky year for oil companies as the coronavirus battered demand for petroleum products.

The US oil giant, which trimmed staff and slashed capital spending to ride out the downturn, finished the year with a loss of $5.5 billion, compared with earnings of $2.9 billion in 2019.Chevron lost $665 million in the quarter ending December 31, compared with a loss of $6.6 billion in the year-ago period following a large asset write-down. US oil prices bottomed out in April 2020, when futures briefly went into negative territory amid a supply glut prompted by the sudden shutdown of much of the US economy.

Crude prices rose and stabilized later in the year, but demand remains weak for some products such as jet fuel. "2020 was a year like no other," said Chevron Chief Executive Mike Wirth. "When market conditions deteriorated, we swiftly reduced capital spending by 35 per cent from 2019 and also reduced operating costs, demonstrating our commitment to capital and cost discipline. "Revenues in the fourth quarter fell 30.5 per cent to $25.2 billion.

For all of 2020, revenues fell 35.4 per cent to $94.7 billion. Shares fell 1.5 per cent to $87.68 in pre-market trading.

Hong Kong economy shrank a record 6.1pc in 2020

AFP, *Hong Kong*

Hong Kong's economy contracted a record of 6.1 per cent in 2020 as the city was battered by the coronavirus pandemic, just months after it was upended by widespread political unrest.

The government on Friday said gross domestic product (GDP) declined three percent in the last quarter of 2020 year-on-year, leading to the record decline over the whole year. "As social stability in Hong Kong has been restored, the severe economic contraction last year was mainly due to the fallout from the Covid-19 pandemic," a government spokesperson said in a statement.

Hong Kong has now ended two successive years in a deep recession. In 2019 the city was rocked by seven straight months of huge and often violent democracy protests as public anger over China's rule exploded.

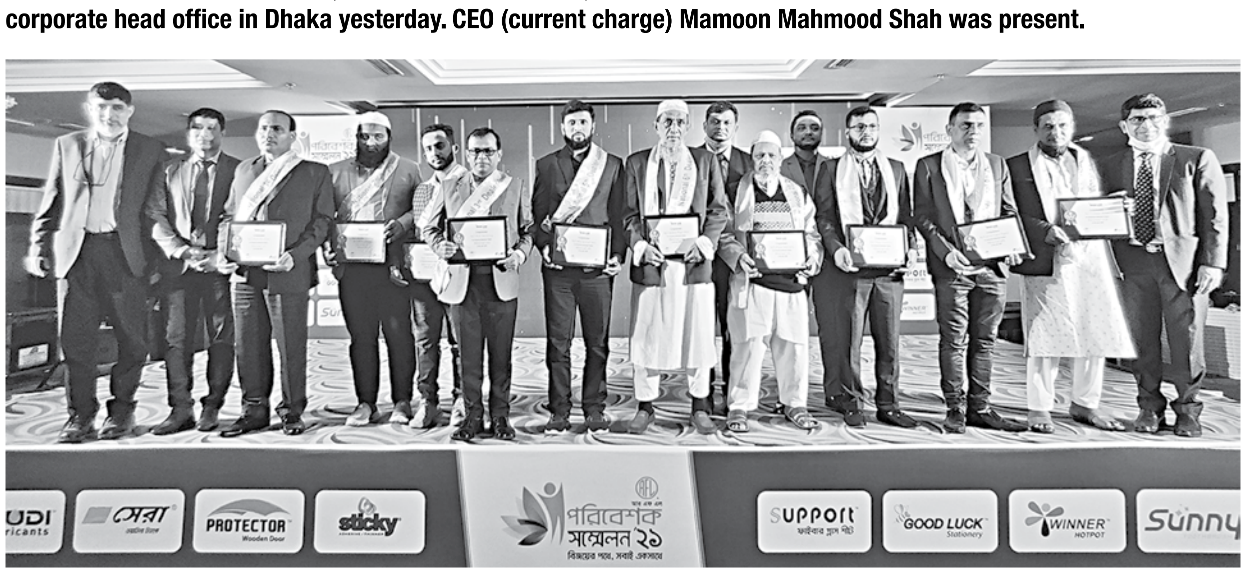
The coronavirus ensured little respite, with Hong Kong becoming one of the first places to record infections after it burst out of central China.

The heavily populated city has managed to keep infections comparatively low with little more than 10,000 cases and about 180 deaths. But in doing so it has imposed economically punishing social distancing measures for much of the last year.

A stubborn fourth wave of infections has hit over the winter, shuttering businesses such as bars and gyms for weeks while restaurants can only serve takeouts in the evening.

NRB BANK

Mohammed Mahtabur Rahman, chairman of NRB Bank, attends its "Annual Business Conference 2021" at its corporate head office in Dhaka yesterday. CEO (current charge) Mamoon Mahmood Shah was present.



PRAN-RFL GROUP

Ahsan Khan Chowdhury, chairman and CEO of Pran-RFL Group, RN Paul, managing director of RFL Group, and ASM Hasan Nasir, executive director of RFL Stationery, attend a dealers' conference of RFL Stationery at Palace Luxury Resort in Habiganj recently.

শেখ হাসিনার নির্দেশ
জলবায়ু সহিষ্ণু বাংলাদেশ।

Government of The People's Republic Of Bangladesh
Office of The Divisional Forest Officer
Chittagong Hill Tracrs South Forest Division
Rangamati.
E-mail: dfochts@gmail.com

Invitation for Re-Tender

Memo No.22.01.8400.856.01.001.2021.316 Dated: 28/01/2021.

1	Ministry/Division	Ministry of Environment, Forest and Climate Change.
2	Agency	Bangladesh Forest Department.
3	Procuring Entity Name	Divisional Forest Officer, Chittagong Hill Tracts South Forest Division, Rangamati.
4	Invitation for	Supply of Manpower through outsourcing.
5	Invitation Ref No.	Re-Tende No. 08/Revenue (Outsourchig) of 2020-2021 Date: 28/01/2021.
KEY INFORMATION		
6	Procurement Method	Open Tendering Method (OTM).
FUNDING INFORMATION		
7	Budget and Source of Funds	GOB
PARTICULAR INFORMATION		
8	Tender Package No.	Single
9	Tender Package Name	Supply of manpower through outsourcing
10	Tender Publication Date	02/02/2021
11	Tender Last Selling Date	15/02/2021 up to 5.00 PM
12	Tender Dropping & Closing Date and Time	16/02/2021, 10.00 AM to 1.00 PM
13	Tender Opening Date and Time	16/02/2021, 3.00 PM
14	Name & Address of the office (s)	
	- Selling Tender Document	Sadar Range, Chittagong Hill Tracts South Forest Division, Rangamati.
	NO CNDITIONS APPLY FOR SALE, PURCHASE OR DISTTRIBUTION OF TENDER DOCUMENTS	
	- Receiving Tender Document	(1) Office of the Divisional Forest Officer, Chittagong Hill Tracts South Forest Division, Rangamati.
	- Opening Tender Document	Office of the Divisional Forest Officer, Chittagong Hill Tracts South Forest Division, Rangamati.
INFORMATION FOR Re- TENDERER		
15	Eligibility of Tenderer	• Tenderers will be the firms having minimum 3(Three) Years required experience of manpower supply through outsourcing. • Tenderers shall have the legal capacity to enter into the Contract under the Applicable Law. • Tenderers shall be enrolled in the relevant professional or trade organizations registered in Bangladesh. • Tenderers shall have fulfilled its obligations to pay taxes & vat under the Provisions of laws and regulations of Bangladesh.
16	Brief Description of Services	Supply of Manpower through Outsourcing for the category-05 (26 Nos.)
17	Price of Tender Document	Tk. 1000.00 (One Thousand) Taka only. (Non Refundable)

Package No	Identification of Package	Location	Tender Security Amount	Completion Time in Weeks/Months
Single	Outsourcing Manpower	Chittagong Hill Tracts South Forest Division, Rangamati	49,000.00 (Fourty Nine Thousand Taka Only)	30 June, 2021

PROCURING ENTITY DETAILS		
18	Name of Official Inviting Tender	Md. Rafiquzzaman Shah.
19	Designation of Official Inviting Tender	Divisional Forest Officer
20	Address of Official Inviting Tender	Chittagong Hill Tracts South Forest Division, Rangamati.
21	Contact details of Official Inviting Tender	Phone: 0351-62337, E-mail: dfochts@gmail.com
22		
23	The Procuring Entity reserves the right to reject all the Tenders or annul the tender proceedings.	

২৮/০১/২০২১

(Md. Rafiquzzaman Shah)
Divisional Forest Officer
Chittagong Hill Tracts South Forest Division
Rangamati.
Phone: 0351-62337

GD-205

MERCANTILE BANK

Lawmaker Morshed Alam, chairman of Mercantile Bank, and Md Quamrul Islam Chowdhury, managing director, attend the bank's "Strategic Business Conference 2021" through a digital platform yesterday.

Global equities retreat at end of painful week

AFP, *London*

Stock markets sustained further losses Friday, capping a painful week for global equities characterised by fears over surging infections, stuttering vaccine rollouts and the weak economic backdrop.

Traders have been licking their wounds after the worst reversal since October, following a months-long rally that saw several indices strike record or multi-year highs. "Markets began January on a high, but are going out in the opposite mood, with no sign of any real rebound in sentiment so far," said Chris Beauchamp, chief market analyst at online trading firm IG. "However, while the losses have been quick and dramatic, as they usually are, they have only dented the rally from November, not wiped it out entirely. "Europe's main stock markets fell sharply, with Paris closing down two per cent.

BSEC offers exit plan for poor performers

FROM PAGE B1

Any company that has not been in commercial operation for more than two years, has incurred a net loss for three consecutive years, has accumulated losses that exceed its paid-up capital or fails to declare any cash dividends for three consecutive years is eligible for delisting, the BSEC said in its directive.

The BSEC can also delist a company for any involvement in money laundering, financing terrorists or any other illicit business as defined by the state.

The offer price for buying securities under the exit plan shall be any of the following: whichever is higher such as the face value or issue price at the time of the company's initial public offer, last trade price on (or before) the date of suspension of trade, net asset value (NAV) per share as per the last audited financial statements.

The stock exchange concerned shall then open and maintain a joint escrow account, featuring the managing directors of the respective bourse, only for making payments on the securities bought or acquired under the exit plan, said the directive.

The consideration for securities surrendered, sold or transferred under the exit plan shall be at offer price and settled in cash by making payments from the aforementioned escrow account.

The sponsors will initially deposit at least 50 per cent of the total amount of consideration calculated on the basis of offer price to the account maintained by the stock exchange concerned in cash, the directive read.

The remainder will be deposited either in cash or by a bank guarantee in favour of the stock exchange concerned.

Meanwhile, a suspense account would be opened to keep the shares of small investors.

The BSEC's initiative to form an exit plan is a good sign for the stock market, said stock investor Abdul Mannan.

Investors' confidence will rise if listed companies follow the directive as they will get at least some money back from a delisted company.

"In the recent past, some companies were delisted and investors got nothing," he added.

The commission shall accord its consent-in-principle within 30 working days of receipt of a complete application, if such an application is acceptable to the commission.

If the application is not acceptable, the regulator will issue a rejection letter, stating the reasons for such rejection, within 30 working days of receipt of the last correspondence with a copy thereof to the exchange.

On declaration of completion of the exit plan, the commission shall direct the stock exchange concerned to remove the securities from its trading systems if traded with any platform.

The stock exchange shall be responsible for ensuring all compliances relating to execution of the exit plan, the directive said.

Banks show lacklustre performance in disbursing farm stimulus

FROM PAGE B1

The central bank has repeatedly asked the lenders to expedite disbursements but some of them did not take the issue with the utmost importance, said a Bangladesh Bank official.

The BB now plans to allocate the undisbursed portion of the 16 banks to the outperforming lenders, he said.

It is not a good thing that banks are still far away from implementing the stimulus package, said Khan Ahmed Sayeed Murshid, director general of the Bangladesh Institute of Development Studies.

They should have given out the fund within the first deadline set by the central bank, which was September 30, in the interest of the country's economic recovery, he said.

Banks can explore alternative ways of speeding up the loan disbursement if they face difficulties to distribute the fund through their branch networks, Murshid said.

"The agent banking window of banks can be one of the good solutions," he said.

Banks should fulfill the target within March keeping in mind the upcoming Boro season, he said.

Bangladesh Krishi Bank (BKB), one of the top performers in terms of loan disbursement under the package, took several initiatives to cater to farmers with the fund, said its managing director, Md Ali Hossain Prodhania.

The bank has prepared a dedicated software in monitoring the stimulus package such that branches of the lender take required measures to disburse the fund in time, he said.

"Every branch manager has to put data on the software. And the higher-ups supervise the activities on a daily basis, which has helped speed up the loan disbursement," he said.

The BKB, which is also a specialised lender for the farm sector, disbursed Tk 1,570 crore till January 15 against its target of Tk 1,699 crore.

The lender has recently applied to the central bank to allocate an additional fund of Tk 200 crore under the package, Prodhania said.

"We also got success for implementation of the stimulus package for the SME sector by way of using the method," he said.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said the lenders which had disbursed farm loans through the microfinance institutes (MFIs) for years faced obstacles in disbursing the fund.

There is no scope to disburse the stimulus fund through the MFIs loans, creating a difficult situation for banks, he said.

Officials of the rural branches are hesitant in disbursing the fund as a large number of borrowers have applied to enjoy loans without collateral securities, he said.

"We will definitely achieve the target within March. And necessary measures have already been taken," Rahman said.

Low profits pushing farmers away from legume cultivation

FROM PAGE B1

Farmers in other districts echoed the same.

"Lentil cultivation is less profitable than rice, chili, maize and wheat and so, I opted for other crops," said Zahidul Islam Pramanik, a farmer of Kuripara char under Bogura's Sariakandi upazila.

Pramanik makes nearly Tk 60,000 as profit from his one bigha chili plantation whereas lentil cultivation on the same area of land would bring him hardly around Tk 21,000.

Due to the crop's low profitability, most farmers grow legumes mainly for their own consumption or to use as animal feed.

And even though legumes are fairly easy to care for, other crops still hold more potential for the farmers.

For instance, Sagar Islam, a farmer of Pakhimara char under Sariakandi area, said he cultivated lentils on 1.5 bighas of infertile land in a char area.

But on three bighas of arable land Islam planted chilis.

"This is because I can get Tk 200,000 profit from chili cultivation on this land," he said.

Habizar Molla, a farmer of Dakatmara char of Bogura's Sariakandi upazila, said they used to cultivate lentils and other varieties of pulses in the char areas 15 to 20 years ago.

"But after getting the improved varieties of maize, rice, chili and wheat, many of us shifted to these crops for getting more profit," Molla added.

DAE Director General Md Asadullah said pulse cultivation is falling in the northern regions, including Dhaka and Mymensingh.

But on the other, it is expanding in the south, particularly in Barishal and Bhola districts.

"Pulses are a winter crop and it has to compete with other crops like mustard, maize, potato and rice as the amount of arable land is finite," Asadullah said, adding that low yields make it hard to profit from legumes.

However, the DAE is developing demonstration plots with some high-yield varieties to encourage farmers to produce legumes.

"We will train the growers on how to preserve seeds as well," he said.

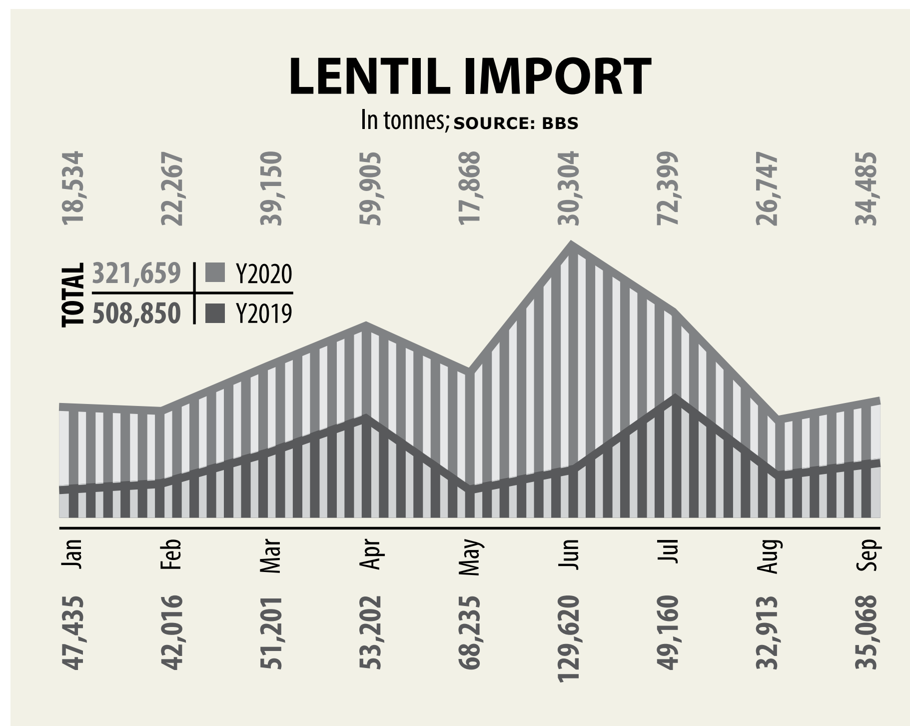
When contacted, Debashish Sarker, director of the Pulses Research Centre of the Bangladesh Agricultural Research Institute in Pabna's Ishwardi upazila, said two varieties of lentils -- BARI lentil-8 and 9 -- are becoming popular among farmers.

If farmers can cultivate these two varieties, they can get 8-10 maunds (one maund equals 37 kilogrammes) of lentils per bigha.

They could then sell each maund of legume for Tk 24,000-30,000 at the current market prices.

Meanwhile, the BARI Kheshari-3 and 6 varieties are also gaining popularity, the DAE director general said.

Lentil imports on the rise



FROM PAGE B1

would arrive in the market during the harvesting season but we did not see any such pressure over the last four-five years," he added.

Legumes are also a sensitive crop as rainfall and higher temperatures affect yields and so, the cultivation and availability of lentils and pulses has declined.

"We have also become dependent on imports for peas," Chowdhury said.

Shafi Mahmud, president of the Bangladesh Pulse Traders Association, said pulse cultivation has dropped over the years and the shortfall in supply is met through imports from Australia, Turkey, Canada and Nepal.

"Once we used to see pulse fields spread sporadically from Amin Bazar of Savar to Aricha of Manikganj but they are not seen that much these days," he said,

Now, farmers produce lentils and pulses almost solely for their own consumption.

Mahmud, who has been engaged in pulse trade since 1980, said they used to see pulses arriving from various parts of the country to their wholesale.

"We would receive 1,200-1,500 bags of pulses from Barishal in our store but that is almost absent now," he said, adding that imports started increasing slowly from 2005.

Anup Kumar Saha, deputy executive director of ACI Consumer Brands, said low yields might be another reason for low production of lentils.

"Why would some grow lentils if they can't make profit?" he said.

Chowdhury said a lot of thrust was given on research to develop improved varieties of rice. Crops like pulse, onion, wheat did not receive adequate attention in case of research.

As a result, production has not increased to that extent and import dependence has increased, he said while suggesting that steps should be taken to develop improved varieties of pulses and other commodities for which Bangladesh highly depends on imports.

Monetary policy dilemma of Bangladesh Bank

FROM PAGE B4

OUTLOOK FOR REMITTANCE INFLOWS AND DOMESTIC CREDIT DEMAND

The outlook for remittance inflows are likely to remain buoyant supported by the last two factors mentioned above. Given the continued weak import demand, foreign exchange reserves may approach $50 billion by the middle of 2021.

In order to prevent a significant appreciation of the taka, BB would most likely continue to buy dollars and in the process excess liquidity in the money market will increase further significantly.

What is the policy dilemma for BB?

Continued inflows in the form of remittances—be it portfolio investment or shift to the official channel—are not without negative implications.

While reserve buildup is desirable, the resulting liquidity expansion may create asset and commodity price inflations. Despite subdued private sector credit demand, broad money by end-December increased by 14.2 per cent and the corresponding reserve money growth was 21.2 per cent.

The situation is likely to get worse in the coming months, forcing BB to consider ways to contain reserve money growth. But the task may be complicated because any sterilisation operation will be financially costly with negative impact on BB's profitability which is already under pressure through virtually zero rate of return on foreign assets of BB.

Any sizable sterilisation operation may also trigger more capital inflows as returns on taka denominated financial assets are likely to increase.

Doing nothing may not also be an option, given the likely pressures on commodity and asset price inflation. It will also appear paradoxical that on the one hand the government will be giving cash incentive to promote foreign exchange inflows, on the other hand BB will be mopping up the resulting liquidity by issuing BB bonds and incurring significant costs in the process. BB also cannot afford not to purchase foreign exchange because without such a sustained intervention the exchange rate of taka will appreciate against foreign currencies eroding further Bangladesh's export competitiveness.

This policy dilemma is likely to intensify in the coming months complicating BB's monetary policy management.

Getting out of this dilemma will require a strong rebound in investment and other components of domestic demand contributing to strong rebounds in private sector credit demand and import payments.

However, such rebounds may take time (particularly for investment and term loan disbursement) and, in the meantime, the best thing that the government can do is to stop paying the 2 per cent cash incentive to put a damper on inflows resulting from the interest rate differential in favour of taka assets.

Already there is enough interest rate spread between taka and dollar or yen assets for the carry trade to take place in an environment of stable exchange rate. There is no point in further encouraging currency carry trade by using public funds and thereby increasing future risks of sudden surge in outflows whenever the exchange risk will reemerge.

The writer is the executive director of the Policy Research Institute of Bangladesh

96pc small enterprises suffer fall in income: study

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The pandemic was a huge test for financial inclusion and donors, private sectors and governments urgently need to focus on supporting low and moderate-income populations and enterprises and farmers, it added.

With limited net worth and savings to fall back on, coupled with a squeeze on access to finance, these segments have faced severe disruptions in demand and payment cycles. Business continuity has been the greatest hurdle.

It is to not only help them recover, but to also avoid the risk of them falling back in the vicious cycle of poverty and indebtedness, it read.

This sector in Africa and Asia will need a three-pronged approach to kick start recovery. The support needs to come from governments, regulators, financial service providers and private sector players, said the report.

The Kenyan government already reduced an "SME Turnover Tax" from 3 per cent to 1 per cent, increased the eligibility cap from an annual $50,000 to $500,000 and exempted those with annual sales of $5,000.

The Bangladesh government extended the moratorium period to one year on stimulus loans being disbursed.

Recently, Bangladesh Bank also set up a $590 million refinancing fund for three years to provide credit to cottage, micro, and small enterprises, according to a statement.

One of the biggest coping mechanisms was an increase in savings into more formal products like mobile wallets and credit unions and a decrease in credit demand from the masses, said Evelyn Stark, financial health strategy lead of MetLife Foundation.

However, credit demand increased from the MSMEs to restart businesses, she said.

"Some 42 per cent of MSMEs and small businesses are in direct risk of failure in the next 6 months," said Payal Dalal, senior vice president of Social Impact, International Markets, Mastercard Center for Inclusive Growth.

"And irrespective of an economy's level of development, size, geographical location, women have been disproportionately more vulnerable to the economic consequences of this pandemic," she added.

Mike McCaffrey, East and Southern Africa regional manager of United Nations Capital Development Fund, and Mark Napier, CEO of FSD Africa, also spoke at the webinar moderated by Graham AN Wright, group managing director of the MSC.

Major drug makers pull in bigger profits

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Their medical facilities started running full-fledged in the second half of the year and then demand for medicine jumped up, he said.

"This is natural," he added.

Pharmaceutical business goes slightly slow in the October-December period which is a trend, Alam said. However, the profit rose this year for a higher presence of people in doctors' practices, he added.

Renata's profit grew by 15 per cent to Tk 241 crore in the last half of 2020 compared to the same period the previous year.

Beximco Pharmaceuticals' profits rose 29 per cent to Tk 222 crore while for Acme Laboratories it was 2.59 per cent higher to Tk 79 crore.

Profit of Ibn Sina grew 9.6 per cent to Tk 25 crore.

The ACI has many subsidiaries including ACI Pharmaceuticals. It witnessed profits in the first half of the current financial year after incurring losses in the previous half year thanks to a fall in net finance costs.

The conglomerate booked profits of Tk 16 crore in the last July to December period while it incurred a loss of Tk 81.87 crore in the same period the previous year.

"Our pharmaceuticals segment was profitable though the group witnessed some losses in the recent quarter," said Pradip Kar Chowdhury, chief financial officer of ACI.

The pharmaceutical company witnessed normal growth in the last six months, he said adding the group booked profits for mainly three reasons.

One of them is lower finance costs, which resulted from a decrease in interest rate in the banking sector, he said.

Its net finance costs dropped 19.5 per cent to Tk 179.36 crore.

"Cost control and higher sales also influenced our profits," he said.

The company's revenue rose 11.71 per cent to Tk 3,737 crore in the first half of the financial year.

"The higher sales is a result of motivational steps as we didn't cut salaries but instead increased them," Chowdhury added.

Telcos freed from VAT on revenue sharing

FROM PAGE B1

of VAT turns out to be double taxation, the NBR said in a notification on January 27.

The revenue authority had waived VAT on revenue sharing under the VAT law 1991, prior to the implementation of the VAT and Supplementary Duty Act 2012, according to officials.

As collection of VAT leads to double taxation, the NBR waived VAT on the revenue sharing amounts for 2G and 3G licences, they said.

SM Farhad, secretary general of the Association of Mobile Telecom Operators of Bangladesh (AMTOB), thanked the NBR for lifting the VAT at source on the revenue shared by mobile operators with the BTRC.

"It was an instance of dual taxation which went against the law of the land. However, the order is applicable only for 2G and 3G but it should be for all licences, such as 4G and onwards. We hope that the NBR will consider this and revise the order," he added.

Monetary policy dilemma of Bangladesh Bank

AHSAN H MANSUR

As the covid-19 pandemic unfolded, central banks across the globe responded with a dramatic easing of monetary policy to provide liquidity support for the faltering economic activities.

Bangladesh Bank's (BBs) policy response was also similar, but measured in terms of scope and extent in line with the unfolding domestic economic conditions. The injection of liquidity, as part of the government's bank-led economic stimulus package, has been sizable and considered absolutely essential to avoid any liquidity crunch in the economy.

In the event, due to the ongoing surge in the officially measured inflow of workers' remittances and the decline in import payments associated with economic slowdown, the external current account of the balance of payments (BOP) recorded large surpluses and foreign exchange reserves of BB increased by more than $11 billion to more than $43 billion by end-December.

The strengthening of the BOP through the reserve buildup is a welcome development, although it is to a large extent an outcome of weak domestic demand and economic activity.

The implementation of the stimulus package led to injection of high-powered money into the economy in the form of BB's liquidity support (potentially up to Tk 60,000 crore). The inflows forced BB to intervene in the foreign exchange market to keep the exchange rate of the dollar against taka stable by preventing a significant appreciation of the taka in the interbank foreign exchange market.

The interventions in the interbank foreign exchange market and the counterparts of the large pandemic-induced foreign assistance to the government (about $2 billion) injected huge amounts of liquidity into the banking system.

The amount of high-powered money injected into the banking system through the reserve buildup has been in the range of Tk 80,000-90,000 crore. The combined liquidity injection into the banking system from these two sources alone already amounted to about Tk 1.4-1.5 lakh crore.

This rapid liquidity injections have been happening at a time when the growth in private sector credit demand has decelerated to 8.2 per cent, the lowest level in the last one decade or more. Large corporates with strong financial standings are also borrowing from abroad at much cheaper rates and restructuring their liabilities by substituting domestic debt with foreign currency denominated debt at much cheaper interest rates.

Combined with the massive slowdown in credit to the private sector, the liquidity injection has contributed to a significant liquidity overhang. For most banks the advances to deposits ratios have come down well below the regulatory limit of BB.

The result is a collapse in the interest rate structure with deposit rates coming significantly below the inflation rate. The lending rates have also come down to levels not seen in several decades.

For good corporates, the current domestic borrowing rates are ranging between 5 per cent-7 per cent, well below the 9 per cent lending cap imposed by the government.

Against this background, BB's monetary policy committee will soon be reviewing the stance of monetary policy and make necessary adjustments for the coming months.

The implementation of the stimulus packages led to injection of high-powered money into the economy in the form of BB's liquidity support

STAR/FILE

The Bangladesh Bank head office is seen in the capital's Motijheel area. The policy dilemma is likely to intensify in the coming months, complicating the central bank's monetary policy management.

In this context, BB needs to understand: (i) what are "real sources" of the ongoing surge in workers' remittances; (ii) the state of the real economy preferably based on surveys of key economic sectors; (iii) possible implications of the excess liquidity for domestic consumer price index (CPI) and its spillover effects on the asset price inflation; and (iv) the outlook for the remittance inflows and domestic private sector credit demand in the coming months and their implications on the excess liquidity in the money market. The remainder of this paper focuses on these issues in order to draw some policy implications for the consideration of BB authorities.

UNDERSTANDING 'REAL SOURCES' OF REMITTANCE INFLOWS

Officially recorded inflows classified under workers remittances have increased by more than 40 per cent in the first half of FY21. This has happened at a time when the number of workers going abroad has declined by almost 75 per cent.

New workers going out of Bangladesh for work abroad has stopped after February 2020 and has not reopened as of now.

At the same time, because of the collapse in petroleum prices and the pandemic induced recession, most oil exporting gulf countries and some others have sent back 300,000-400,000 workers from those countries.

Income levels of workers in the gulf countries and in other parts of the world also might have declined, and there is no reason to expect that their income have gone up enabling them to send significantly more money to their families. There are other reasons like expatriates sending more money to their relatives adversely impacted by the pandemic (such as loss of jobs or illness) and to mitigate the impact of the flood and long rainy season on farm and nonfarm rural income.

Another factor which might have contributed to the surge was that hundreds of thousands of repatriating workers were sending their hard-earned savings prior to their return. Each of these factors might have played some role but none can explain the continued increase in inflows well after the return of workers and the end of the floods. Thus we need to look for other plausible factors such as: (i) expatriates are sending their financial savings to Bangladesh due to virtually zero returns on financial assets in many host countries; and (ii) people switching to more formal channel due to technological interventions like instant cash transfers through mobile financial service networks and attracted by the 2 per cent cash incentive provided by the government.

Both of these factors are sustainable over the next few years contributing to continued strong inflows, given the expected continuation of easy monetary policy in the industrial world.

STATE OF THE REAL ECONOMY AND OUTLOOK

All available economic indicators are pointing to continued weakness in the domestic economic activity. In addition to subdued credit demand, demand for imports have declined and remains significantly below the 2019 level.

The stock price index already increased by more than 50 per cent in the midst of the pandemic and further upward moves leading to another price bubble cannot be ruled out if the excess liquidity remains high

Tax collection remains very weak with the projected revenue shortfall of about Tk 80,000 crore in FY21. In particular, the growth in domestic VAT, which is directly linked with domestic economic activity increased by only 2 per cent in the first half of FY21, pointing to a decline in real terms.

Exports, which recovered somewhat during July and August, have once again declined due to the fall in orders from the EU and the USA as a result of the second coronavirus pandemic wave in the Western hemisphere. Overall, the growth outlook for FY21 is likely to be worse than in FY20.

POSSIBLE IMPLICATIONS OF EXCESS LIQUIDITY

Excess liquidity in the money market is generally manifested in commodity price and asset price inflation. Global liquidity expansion has already contributed to global commodity price inflation in the midst of economic recession.

Prices of food grains like rice (reaching 7-year high), wheat, corn and soybean are much higher than last year; same with construction materials and hydrocarbon products; industrial inputs like cotton increased significantly (28 per cent); and prices of construction materials like steel (32 per cent) have also increased sharply due to supply bottlenecks or shocks.

Commodity prices and industrial and construction raw materials in Bangladesh (such as edible oil, wheat, cotton, yarn, steel, etc.) are also rising significantly with rice prices at record high levels. Thus food inflation will remain high, although due to subdued wages and diminished capacity to spend for a large part of the population resulting from increased poverty and joblessness, non-food inflation will continue to remain moderate.

In this setting, the excess liquidity is likely to end up in asset price inflation, as recorded in most industrial countries and in India. In the USA and India stock prices are at already record high levels. In Bangladesh, the stock price index already increased by more than 50 per cent in the midst of the pandemic and further upward moves leading to another price bubble cannot be ruled out if the excess liquidity remains high.

READ MORE ON B3

GLOBAL BUSINESS

India proposes law to ban cryptocurrencies, create official digital currency

REUTERS, *Mumbai*

India plans to introduce a law to ban private cryptocurrencies such as bitcoin and put in place a framework for an official digital currency to be issued by the central bank, according to a legislative agenda listed by the government.

The law will "create a facilitative framework for creation of the official digital currency to be issued by the Reserve Bank of India (RBI)," said the agenda, published on the lower house website on Friday.

The legislation, listed for debate in the current parliamentary session, seeks "to prohibit all private cryptocurrencies in India, however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses," the agenda said.

In mid-2019, an Indian government panel recommended banning all private cryptocurrencies, with a jail term of up to 10 years and heavy fines for anyone dealing in digital currencies.

REUTERS/FILE

A representation of virtual currency Bitcoin and small toy figures placed on a computer motherboard in this illustration.

The panel has, however, asked the government to consider the launch of an official government-backed digital currency in India, to function like bank notes, through the Reserve Bank of India.

The RBI had in April 2018 ordered financial institutions to break off all ties with individuals or businesses dealing in virtual currency such as bitcoin within three months.

However, in March 2020, India's Supreme Court allowed banks to handle cryptocurrency transactions from exchanges and traders, overturning a central bank ban had that dealt the thriving industry a major blow.

Governments around the world have been looking into ways to regulate cryptocurrencies but no major economy has taken the drastic step of placing a blanket ban on owning them, even though concern has been raised about the misuse of consumer data and its possible impact on the financial system.

China exported more than 220b masks in 2020: govt

AFP, *Beijing*

China exported more than 220 billion face masks last year, the commerce ministry said Friday, the equivalent of nearly 40 per person outside China as demand for protective gear skyrocketed during the coronavirus pandemic.

Shifting billions of dollars' worth of the coverings has become an important driver of China's exports after Covid-19 virtually halted economic activity in the earlier part of 2020 and ravaged growth.

On Friday, vice-minister for commerce Qian Keming told reporters that in addition to masks, China exported 2.3 billion pieces of protective gear and one billion test kits last year, "making an important contribution to the global fight against the epidemic".

The mask shipments alone were worth 340 billion yuan ($52.6 billion), a customs official said earlier this month. "(The volume) is equivalent to providing nearly 40 masks to each person in the world outside China," said customs spokesman Li Kuiwen.

China, where Covid-19 first emerged in late 2019, was also the first country to bounce back after imposing strict lockdowns and virus control measures. It is expected to be the only major world economy to clock positive 2020 growth.

But on Friday, commerce ministry official Chu Shijia added that China still faced a "severe and complex" environment in foreign trade and investment this year.

People wearing face masks walk down a street following the coronavirus outbreak in Shanghai, China.

REUTERS/FILE

German economy posts minimal growth as virus bites

AFP, *Berlin*

The German economy, Europe's largest, posted just 0.1 per cent growth in the fourth quarter last year as new coronavirus restrictions choked off activity, official figures showed Friday.

The Destatis statistics office said a sharp rebound of 8.5 per cent in the third quarter "was braked by the restrictions imposed (to curb) a second wave of the virus at the end of the year".

Compared with fourth quarter of 2019, the German economy contracted 3.9 per cent.

For full-year 2020, the Germany economy shrank 5.0 per cent, in line with estimates published earlier this month.

Meanwhile the Federal Labour Agency reported a stable unemployment rate for January of 6.0 per cent despite the new measures imposed the previous month to slow the spread of coronavirus.

The country closed restaurants, hotels, culture and leisure centres in November, followed by schools and non-essential shops in December. The measures have since been extended until mid-February.

Analysts said the outlook remained uncertain. "The resilience shown in the fourth quarter is not going to last," said Andrew Kenningham, chief economist at Capital Economics.

According to the DIW Institute, German output in the first quarter this year could shrink 3.0 per cent.

But there is some hope that the rollout of vaccination programmes will begin to limit the pandemic damage later in the year. "We could see a clear rebound in the second half of the year if enough people get vaccinated," said Fritzi Koehler-Geib, chief economist with KFW bank.

Earlier this week, the German government cut its 2021 growth forecast sharply, to 3.0 percent from 4.4 percent given the persistence of the health crisis which likely means the economy will not return to pre-pandemic levels until mid-2022.