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

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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

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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.

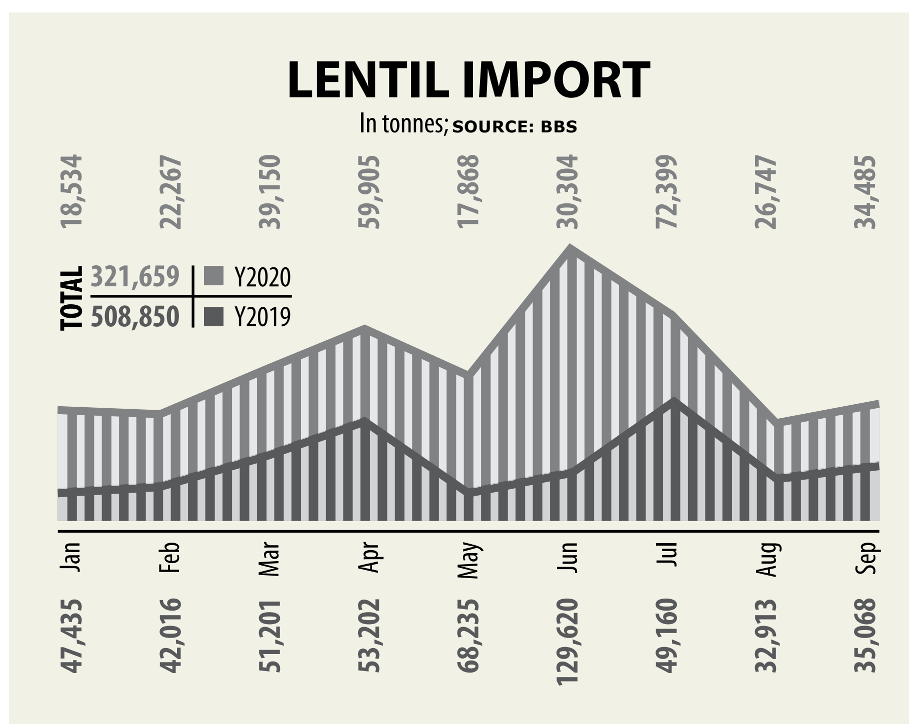
Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said the lenders which had disbursed farm loans through the microfinance institutes (MFIs) for years faced obstacles in disbursing the fund.

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.

Lentil imports on the rise



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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.

Low profits pushing farmers away from legume cultivation

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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.

Monetary policy dilemma of Bangladesh Bank

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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

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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.