

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.25%	0.22%	\$1,889.97	\$71.89	0.25%	0.40%	0.44%	0.21%	83.95	101.09	117.97	12.90	
6,038.29	10,550.74	(per ounce)	(per barrel)	52,100.05	28,941.52	3,151.04	3,591.84	BUY TK	84.95	104.89	121.77	13.57



# Star BUSINESS

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## 11 banks face huge capital shortfall

**AKM ZAMIR UDDIN**  
Eleven banks faced a capital shortfall of Tk 24,783 crore in the first quarter of 2021, which highlighted the fragile health of the lenders.

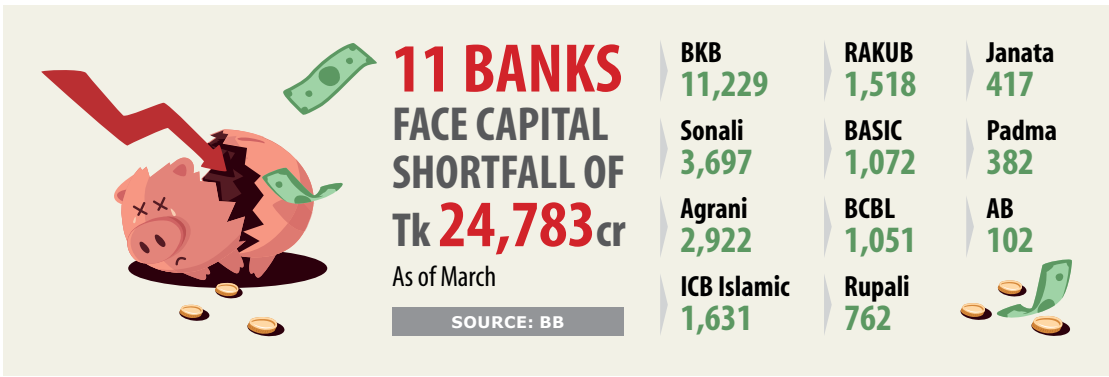
The banks are Bangladesh Krishi Bank, Sonali, Agrani, ICB Islamic, Rajshahi Krishi Unnayan, BASIC, Bangladesh Commerce, Rupali, Janata, Padma, and AB Bank.

Corruptions perpetrated at the banks are mainly responsible for the large capital shortfall.

Bangladesh Krishi Bank had the highest capital shortfall of Tk 11,229 crore as of March, up 4 per cent from three months ago, data from the Bangladesh Bank showed.

Sonali's capital shortfall widened to Tk 3,697 crore from Tk 3,063 crore during the period.

"The central bank should take immediate measures to address



the problem as such a situation sends a negative message to the international community and local businesspeople that the banking sector is weakening," said an official of the central bank.

Foreign businesses usually look at the capital base and non-performing loans of banks before making any investment decisions, he said.

"This type of capital shortfall

will put foreign investors at bay," the central banker said.

However, the banking sector had a surplus capital of Tk 16,562 crore in March, up from Tk 15,930 crore three months ago.

Between January and March, the capital position at Janata Bank improved significantly because of a regulatory forbearance extended by the central bank. The regulator's move would help the state-run bank keep the provision against unclassified and defaulted loans in phases.

A regulatory forbearance is a policy that permits financial institutions to continue operating even when their capital is fully depleted.

Despite getting the forbearance, Janata's capital shortfall stood at Tk 417 crore in March in contrast to Tk 5,475

crore three months ago.

Janata Bank Managing Director Md Abdus Salam Azad said the bank now enjoyed a capital surplus of Tk 6,017 crore as it managed another regulatory forbearance last month.

The central bank allowed the bank to keep the required capital in phases in the next four years.

"This has helped us make a net profit of Tk 14.45 crore last year," Azad said. The capital shortfall of BASIC Bank stood at Tk 1,072 crore in March, down 28.15 per cent a quarter ago.

Md Anisur Rahman, managing director of BASIC Bank, said the bank had been faced net losses in recent years that were responsible for the capital shortfall.

"We are trying to recover defaulted loans, and this will help us narrow the shortfall."

In addition, the bank is seeking deposits from various government agencies at a lower interest rate.

As much as 90 per cent of the defaulted loans, which were disbursed between 2009 and 2013, are uncollectible, said an official of the bank.

At least Tk 4,500 crore was swindled out of the bank, and a number of senior officials and board members, including then BASIC Bank Chairman Sheikh Abdul Hye Bacchu were allegedly involved.

Between 2009 and 2013, the bank also mobilised long-term deposits at a higher interest rate. The deposits have now become a burden for the bank and are one of the main reasons for the capital shortfall.

If BASIC Bank can get the low-cost deposits from the government agencies, it will help the lender manage the balance sheet smoothly and make a profit, the official said.

In March, the average capital adequacy ratio, a measurement of a bank's available capital expressed as a percentage of risk-weighted credit exposures, stood at 11.67 per cent in the banking sector, down from 11.64 per cent three months earlier.

This means the overall capital base strengthened in the first quarter of 2021.

## Fiscal measures hardly linked to job creation

*Citizen's Platform for SDGs says*



STAR BUSINESS REPORT

The proposed budget has failed to offer fiscal measures to create jobs crucial to millions of the people in the informal sector who slipped to poverty because of the coronavirus pandemic, said experts yesterday.

"Fiscal incentives proposed in the budget are not sufficiently linked to employment generation, particularly for the traditionally left-behind groups," said Debapriya Bhattacharya, convener of the Citizen's Platform for SDGs, Bangladesh.

The government has provided tax holidays and incentives to many sectors in the budget for the next fiscal year. "But, there is no mention of how many wage employments these measures will create," he said.

The economist spoke while presenting a paper styled "National Budget 2021-22: What is there for the disadvantaged people" at a virtual media briefing organised by the platform, which comprises more than 100 non-state actors and their networks and associates.

Bhattacharya said the finance minister's budget speech focused on traditional skills development to increase the employability of the youth and encourage self-employment and overseas jobs.

"But there is no structured outline of how these jobs will be generated."

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## Disburse SME stimulus fast: experts



STAR BUSINESS REPORT

The government should ensure that stimulus funds for the cottage, micro, small and medium enterprises (CMSMEs) are quickly disbursed in order to facilitate sustainable recovery from the Covid-19 fallout, according to speakers at a webinar yesterday.

The event, styled "Impact of Covid-19 on CMSMEs and Understanding their Recovery: Evidence from BSCIC Industrial Estates", was jointly organised by Economic Reporters' Forum (ERF) and PRISM Programme.

While speaking as chief guest, Industries Minister Nurul Majid Mahmud Humayun said the CMSMEs were the worst affected by the pandemic even though the government had announced a Tk 20,000 crore stimulus package for the sector.

Another Tk 1,500 crore stimulus package was announced for entrepreneurs in rural areas. Of this amount, Tk 300 crore was allocated for SME Foundation, which disbursed Tk 100 crore from the fund in the outgoing fiscal year, he added.

Abul Kashem Khan, chairperson of Business Initiative Leading Development



Industries Minister Nurul Majid Mahmud Humayun said small businesses were the worst affected by the pandemic.

PHOTO: STAR/FILE

(BUILD), stressed on the need to address the barriers that prevent the CMSMEs from availing stimulus funds.

"Apart from the banking sector, an alternative mechanism should be developed for the distribution of these funds," he said, adding that formulating a database on the CMSMEs would help ensure better policy design.

Ahsan Khan Chowdhury, chairman and chief executive officer of Pran-RFL Group, said if micro and small entrepreneurs were protected from the Covid-19 fallout through financing, they could facilitate the country's full economic recovery.

The Bangladesh Small and Cottage Industries Corporation could create links

between large and small-scale industries in order to help ensure their survival, he added.

Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, proposed the withdrawal of advance income tax as well as the tax levied on online sales in order to spur the growth of e-commerce and digitalisation of the CMSMEs.

In his presentation, Dr Monzur Hossain, research director of the Bangladesh Institute of Development, showed that 96 per cent of the country's businesses had been adversely affected by the nationwide lockdowns aimed at curbing the spread of Covid-19.

However, the CMSME sector recovered up to 80 per cent of the pre-pandemic production levels by December 2020, he said. Golam Yahia, additional secretary to the industries ministry, said the CMSMEs were playing a big role towards the country's industrialisation and that Bangladesh could become a developed nation by 2041 by successfully implementing the SME policy.

The event, chaired by ERF President Sharmeen Rinvy, was also attended by Rensje Teerink, the European Union ambassador and head of delegation to Bangladesh, and Md Mostaque Hassan, chairman of the BSCIC.

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, and a senior short-term consultant of the PRISM project, presented a keynote paper.

## Banking hours to remain 10am to 3pm till June 16

STAR BUSINESS REPORT

Bangladesh Bank has instructed banks to keep their doors open for customers from 10:00am to 3:00pm until June 16.

The banking regulator took the decision yesterday as the government has extended the ongoing nationwide restrictions on public movement to curb the spread of Covid-19.

The bank branches will remain open until 4:30 pm to complete their regular procedures, according to a central bank notice.

Banks have been following the rostering system for their employees since April 14 as instructed by the government.

The government enforced lockdown-like measures on April 5 after the Covid-19 infection rate began an alarming rise.

As the situation worsened, it went for a strict countrywide lockdown from April 14.

## REHAB demands low-cost fund

STAR BUSINESS REPORT

The Real Estate and Housing Association of Bangladesh (REHAB) has demanded the provision of a long-term low interest fund in the proposed national budget for fiscal 2021-22 so that the country's people can purchase their own homes on instalments equivalent to rent.

In a statement to the media issued yesterday, the trade body said there is scope to reduce registration costs in the local housing sector further when compared to other countries.

So, REHAB hopes that the government will implement this and other demands in the future, it added.

REHAB believes that Bangladesh will go a long way towards achieving its goals by implementing a well-thought-out budget amid the ongoing Covid-19 pandemic.

**BUDGET REVIEW**  
FY2021-22

The association of real estate developers also welcomed the move to waive special tax and duty on various construction materials, such as rods, cement, and tiles, in the proposed budget.

At the same time, if the government continues to allow the use of undisclosed income for the purchase of flats and apartments, it will play a fruitful role in the sector and help increase internal resources, it said.

According to government estimates, more than Tk 14,000 crore in undisclosed income has been legalised so far this fiscal year, from which the government has received about Tk 1,500 crore in revenue.

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## Withdraw VAT, import duty on manmade fibre: BTMA



BTMA President Mohammad Ali Khokon

STAR BUSINESS REPORT

Textile millers yesterday demanded the withdrawal of value-added tax (VAT) and import duty on all kinds of manmade fibre for the potential growth of the non-cotton fashion industry to meet the global demand.

In the proposed budget, the government did not address this issue even though the entrepreneurs of the country's primary textile sector had been demanding this beforehand, the textile millers said at a post-budget press conference at the office of Bangladesh Textile Mills Association (BTMA).

**BUDGET REVIEW**  
FY2021-22



Of the total garment exports from Bangladesh in a year, 74 per cent are made from cotton fibre while the rest from manmade fibre.

PHOTO: STAR/FILE

The government should consider the request as the demand for manmade fibre garments is higher than the cotton-made fibre globally.

For instance, manmade fibre occupies 78 per cent of the global fashion industry and the rest 22 per cent by cotton fibre.

But in Bangladesh, the scenario is reversed. Of the total garment export from Bangladesh

in a year, 74 per cent is made from cotton fibre while 26 per cent from man-made fibre, they added.

"If we want to grab more of the global market share, we will have to choose the manmade fibre as the demand is rising for those garment items," said BTMA President Mohammad Ali Khokon.

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