| STOCKS | Week-on-week |
|---|---|
| DSEX | CSCX |
| 1.57% | 1.63% |
| 6,699.39 | 11,702.06 |

| COMMODITIES | As of Friday |
|---|---|
| Gold | Oil |
| $1,779.15 | $70.59 |
| (per ounce) | (per barrel) |

| ASIAN MARKETS | | | Friday Closings |
|---|---|---|---|
| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
| 1.08% | 0.14% | 0.54% | 0.24% |
| 55,437.29 | 27,977.15 | 3,165.49 | 3,516.30 |

CURRENCIES — As on Thursday, STANDARD CHARTERED BANK

| | USD | EUR | GBP | CNY |
|---|---|---|---|---|
| BUY TK | 83.95 | 97.29 | 115.17 | 12.71 |
| SELL TK | 84.95 | 101.09 | 118.97 | 13.37 |

# Star BUSINESS

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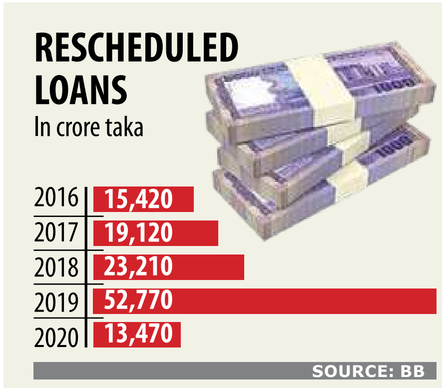
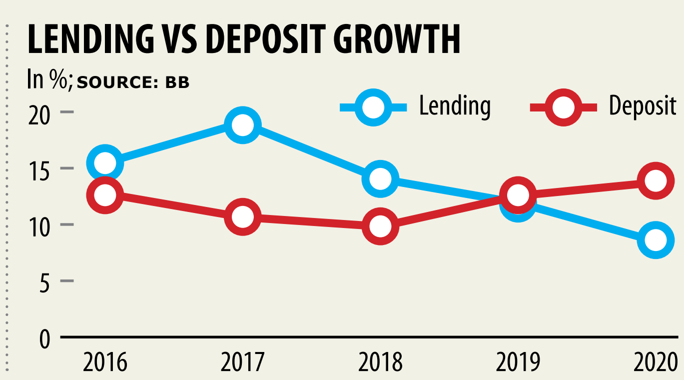
# Unrealised rescheduled loans threat to banks

*BB says in Financial Stability Report*

AKM Zamir Uddin




Unrealised rescheduled loans might create a challenging situation for the profitability and solvency of banks in the coming days, the Bangladesh Bank has warned.

"Rescheduled loans, if not recovered, might have an adverse impact on banks," it said in its Financial Stability Report (FSR) for 2020.

Close monitoring and stringent supervision are needed to minimise downside risks for the entire banking system, it said.

Although both default and rescheduled loans went down last year, the two types of stressed assets would become a cause for concern for the banking sector, said a BB official, who was engaged in preparing the report.

Last year, the central bank relaxed rules on loan classification to offset the business slowdown derived from the coronavirus pandemic, helping lenders bring down both rescheduled and classified loans in tandem.

The BB also instructed banks not to change the loan classification status between January and December.

Still, non-performing loans (NPLs) demonstrated "no notable changes" in the final quarter of 2020.

The ratio of default loans stood at 8.1 per cent in 2020 versus 9.3 per cent a year ago. The volume of the NPLs reached Tk 88,280 crore last year.

Because of the same relaxed policy, the amount of loans rescheduled fell to at least a five-year low in 2020. Defaulters regularised NPLs amounting to Tk 13,370 crore, down 74.47 per cent year-on-year.

In 2019, the BB issued a relaxed policy on loan rescheduling and a one-time exit policy to address the long-standing bad debts, pushing the volume of the rescheduled loans higher.

Proper monitoring of regular loans along with rescheduled ones amid the coronavirus pandemic may appear to be a critical challenge for banks in the days ahead, the central bank annual report said.

"Therefore, rigorous monitoring and implementation of stringent measures for the recovery of loans have utmost importance in minimising downside risks."

The loans that had been rescheduled for at least once accounted for 14.4 per cent of the banking sector's total outstanding loans.

At 30 per cent, the rescheduled loan ratio in the industrial sector ranked top among all the sectors last year. Clients in the garment industry rescheduled 20.4 per cent of the loans.

The proportion stood at 18.8 per cent, 13.4 per cent and 10.6 per cent for the agricultural, construction and foreign trade sectors, respectively.

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NON-TRADITIONAL MARKETS

# RMG exports rise from the rubble

Refayet Ullah Mirdha

Garment exports to non-traditional markets have been showing an encouraging trend amid the ongoing Covid-19 pandemic as shipments grew 6.36 per cent to $5.08 billion in fiscal year 2020-21.

The receipts from garment exports to non-traditional markets have been rising from the rubble of fiscal 2019-20, when the country and global supply chain suffered severe impacts of the pandemic.

That year, garment exports to non-traditional markets dipped 15.95 per cent to $4.78 billion because of the pandemic, according to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

However, with the restoration of normalcy in the global apparel supply chain, shipments to non-traditional markets was also being revived.

Bangladesh considers all markets as non-traditional ones except for that of the 27 member countries of the EU, US and Canada.

Last fiscal year, the share of the non-traditional markets was 16.16 per cent, in fiscal year 2019-20 the share was 17.10 per cent and in 2018-19 it was 16.66 per cent, the BGMEA data said. Of all the non-traditional or emerging markets, Japan is taking in the highest amount.

Japan is the only non-traditional and Asian destination where $1 billion worth of garment shipments were made from Bangladesh in fiscal year 2018-19 whereas the total amount of goods to be shipped was worth $1.09 billion.

However, the shipment of garments to Japan declined to $961.94 million in fiscal year 2019-20 and $944.82 million in fiscal year 2020-21 because of the fallouts of the pandemic.

China and India are two promising garment export destinations for Bangladesh as the shipments to the two have been rising.

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**AT A GLANCE**

- Exports to non-traditional markets grew **6.36**% in FY2021
- Share of non-traditional markets was **16.16**% last FY
- Of such markets, highest amount is sent to Japan
- Japan, China, India are more promising than others
- BGMEA to hold roadshow to grab more Arab markets
- Exporters get **4**% cash incentive for these markets

GOVT OFFICIALS

## No entertainment allowance for online training

Star Business Report

The government has suspended entertainment allowance and halved the honorarium for trainees and organisers of online and in-house training amid the Covid-19 pandemic.

The Finance Division of the Ministry of Finance has issued a circular in this regard recently.

As per the circular, there will be no entertainment allowance for any online in-house training organised by the ministries, departments or their subordinate offices.

Besides, the course directors, coordinators and support staff and trainees will get half of their prescribed training allowance.

However, the trainers will be given their full honorarium at the prescribed rate.

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STOCK INVESTMENT

## BSEC spurs loans despite criticism

Ahsan Habib

The stock market regulator has decided to extend loan facilities for investors to buy stocks when the index is at its historical highest level despite analysts' criticism against loan-based investment in the stock market.

Investors can now take loans of up to 80 per cent of their investment in the stock market if the benchmark index crosses 7,000 points and stays within 8,000.

Earlier, investors were allowed to take a loan of Tk 80 against investment of Tk 100 if the benchmark index remained lower than 7,000 points.

For times when the index went over 7,000 points, the loan taking capacity was lowered to Tk 50 against every Tk 100 of investments.

The Bangladesh Securities and Exchange Commission (BSEC) increased the limit and issued a directive saying the Trading Right Entitlement Certificate holders of exchanges are allowed to extend their credit facilities to approved clients on the basis of a 1:0.80 ratio.

"Considering the Covid-19 pandemic situation, and for the interest of the investors the directive was amended," said the BSEC.

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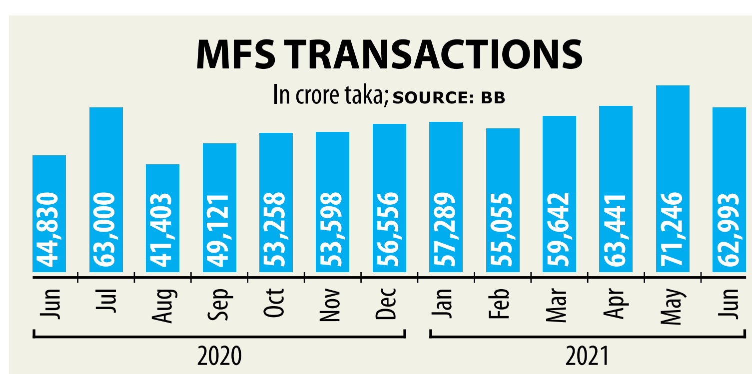
# MFS transactions off the charts

Md Fazlur Rahman




Money transferred through growing mobile financial services (MFS) in Bangladesh rose 40.50 per cent year-on-year to Tk 62,993 crore in June as people continue to rely on the digital platform amid the unabating coronavirus pandemic.

Transactions totalled Tk 44,830 crore in the same month last year, data from Bangladesh Bank showed.

Users, however, transacted 11.58 per cent lower funds in June compared to Tk 71,246 crore in May, the highest since Bangladesh allowed mobile banking a decade ago.

The lockdowns, which put a curb on the movement of people and vehicles in the past four months, contributed to the growth in June, according to officials of several operators.

"As lockdowns affected the normal activities of the economy, the financial transactions through the MFS sector rose," said Shamsuddin Haider Dalim, head of corporate communication at bKash.

He said the transaction was higher in May compared to June because of Eid-ul-Fitr. It slowed in the following months.

Person-to-person digital money transfer through MFS operators was Tk 18,827 crore in June, which was Tk 13,130 crore in the same month in 2020.

Payments made to merchants stood at Tk 3,293 crore, against Tk 812 crore in June last year, a year-on-year increase of 305 per cent.

In June, the government transferred Tk 1,225 crore among the beneficiaries of the social safety net programmes, up 242 per cent from Tk 358 crore a year ago.

Utility bill payments through the MFS system rose 25 per cent year-on-year to Tk 1,243 crore.

Zahedul Islam, head of corporate communications and external affairs at upay, the MFS service of United Commercial Bank, said the number of MFS users surged in the last one-and-a-half years due to the pandemic.

"The government has also disbursed various safety net funds through the MFS channels. Besides, the use of digital payments has grown significantly since the start of the pandemic."

The number of MFS accounts rose about 14 per cent to 10.12 crore in June in comparison to the same month last year.

There were 11.31 lakh agents at the end of June, up from 9.98 lakh in the same month a year earlier, central bank data showed.

Amid the growing popularity of mobile financial services, "tap" made a foray into the country's MFS segment on July 28.

Trust Bank of Bangladesh has partnered with Axiata Digital Services of Malaysia to launch the Trust Axiata Pay, or "tap", under the joint venture Trust Axiata Digital Ltd. This took the number of MFS operators in the country to 17.

*"As lockdowns affected the normal activities of the economy, financial transactions through the MFS sector rose," said Shamsuddin Haider Dalim, head of corporate communication at bKash*

# Punish rogue e-commerce firms

*Experts call for steps to build strong ecosystem*

Star Business Report

The e-commerce sector needs a sound policy to ensure the credibility of all stakeholders and punish delinquent platforms, experts said yesterday, as online firms face a reputational crisis in the wake of questionable business practices by a few.

"The momentum of the growth in the e-commerce sector should not be stalled only for a few fraudulent platforms," said Barrister Tanjib-ul Alam, an expert on company laws.

"We need a proper policy that will ensure the credibility of all stakeholders and punish the delinquent participants."

He spoke at a virtual discussion on "Building a Sustainable Ecosystem for E-commerce" organised by the Dhaka Chamber of Commerce and Industry (DCCI).

The combination of the role of all stakeholders such as digital platforms, sellers, payment gateways, and policy-makers is essential to foster the e-commerce sector.

The standard operating procedure of digital commerce should be viewed as an organic document, and it could go through further modification, Alam said.

"The government can do its part to ensure logistics and automation to boost the sector."

The current e-commerce platform-based business model, in which customers order products on a platform where many sellers are connected, should be seamless. The connection between platforms and sellers should be more seamless and organised.

"This is a booming sector. But if a customer comes to buy something from an e-commerce platform and has a bad experience, they will not be encouraged to return to these platforms. So, building customers' confidence is important," Alam said.

"So, repeated and loyal customers are essentials to grow the industry further. You can't expand it only through discount hunters."

Highlighting the recent controversy over some e-commerce platforms, Fahim Ahmed, president of Pathao, said a massive fraud had been committed.

The "money" is gone because it was never there, he said. "The net liabilities of the company are precisely equal to the losses made by the company."

"Where did these losses go? It went for the deep discounts, the high salaries, the sports team sponsorship, the media buying, and the influencer peddling.

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**A delivery man of an e-commerce company is seen on a street in the capital. Concerted efforts of all stakeholders such as digital platforms, sellers, payment gateways, and policymakers are needed to boost the e-commerce sector, say experts.** STAR