STOCKS (As on Sunday)		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.40%	▼ 0.42%	▲ $1,813.48 (per ounce)	▲ $72.61 (per barrel)	▲ 1.36%	▲ 0.54%	▲ 0.69%	▲ 0.17%
6,823.60	11,899.12			56,889.76	27,789.29	3,102.11	3,528.15

CURRENCIES (As on Sunday, STANDARD CHARTERED BANK)

	$USD	€EUR	£GBP	¥CNY
BUY TK	84.25	98.24	114.97	12.75
SELL TK	85.25	102.04	118.77	13.41

Star BUSINESS

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10 banks face show-cause for low deposit rates

The lenders maintained high interest rate spread for long

AKM Zamir Uddin

Bangladesh Bank has asked 10 banks to explain why they maintained a high interest rate spread for long depriving depositors.

The spread, the gap between lending and deposit rates, was high ignoring the BB rules, which is why the central bank sent letters to them on August 10 seeking an explanation, said a BB official.

They have been asked to reply in seven working days.

The 10 are Dutch-Bangla Bank, Shimanto Bank, Brac Bank, Standard Chartered Bangladesh, State Bank of India, Woori Bank, The City Bank, Prime Bank, Eastern Bank and Trust Bank.

Maintaining a high interest rate spread means the banks gave out loans at a high interest rate while providing a low rate to their depositors.

As per the central bank rules, banks have to keep their spread either at or less than four percentage points.

But the banks maintained spreads of more than 4.50 percentage points, breaching the central bank policy, in order to make high profits.

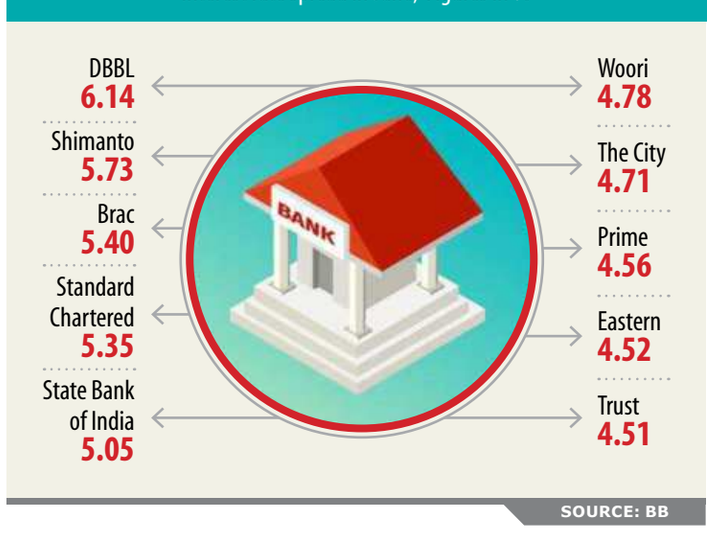
A BB official said the central bank would take punitive measures if the banks continued to breach the policy.

"Depositors are now deprived of getting their required returns due to the high spread adopted by the banks," according to a BB paper.

The central bank also asked the lenders to explain why they did not reduce the spread as per the central bank rules.

BANKS THAT FACE BB's SHOW-CAUSE NOTICE

Interest rate spread in June; Figures in %



SOURCE: BB

Among the 10, the spread of Dutch-Bangla Bank was the highest in June, with its weighted average deposit rate being 1.66 per cent against a lending rate of 7.80 per cent.

The spread of the bank stood at 6.14 percentage points.

Managing Director Abul Kashem Md Shirin told The Daily Star that the central bank should calculate operating expenses of a bank when calculating the spread.

"My bank's operating expenses is too much high as we are hugely involved in widening the digital financial inclusions," he said.

For instance, the bank's digital infrastructure is larger than that in any other bank, putting an impact on the spread, he said, adding that the BB should consider the issue.

Selim RF Hussain, managing director of Brac Bank, said the high spread in his bank would go down in the quickest possible time as the lender had already revised the interest rate on deposits on August 9 complying with the BB instruction.

The spread in the bank stood at 5.40 percentage points.

On August 8, the BB asked banks not to set interest rates on fixed term deposits below the inflation rate as it yields negative returns for savers.

The weighted average interest rate on deposits stood at 4.13 per cent in June while the average inflation rate was 5.56 per cent.

The BB took the move as most banks had offered an interest rate of 2 per cent to 4 per cent on fixed deposit receipts (FDRs), which result in a negative real interest rate of 2 per cent to 3 per cent for savers.

The overall spread in the banking sector, however, stood at 3.09 percentage points in June as the weighted average rate on lending was 7.22 per cent.

READ MORE ON B3

Nagad's Tk 510cr bond gets nod

Star Business Report

The stock market regulator has approved Nagad's zero coupon bond on condition that some regulatory requirements are fulfilled for raising Tk 510 crore in funds.

A zero coupon bond is a debt instrument that does not pay interim coupons but instead trades at a deep discount, rendering profit at maturity, when the bond is redeemed for its full face value.

The decision came in a meeting of the Bangladesh Securities and Exchange Commission (BSEC) on Sunday presided over by Chairman Shibli Rubayat Ul Islam.

The regulator, however, did not mention this in its press release. Nagad has been asked to submit the bond's trustee deed registration, clearance of all directors from Credit Information Bureau and a no objection certificate from Bangladesh Bank, said a BSEC official.

Nagad is not listed so the approval news need not be in the press release, he said at first.

Actually the commission did not want to publish the news, he later admitted, repeatedly requesting not to be named considering sensitivity of the matter.

Another BSEC official acknowledged that Nagad's bond was approved despite some issues being raised by the regulator's department which deals with capital issues.

The main observation was that it had been doing business using a no objection certificate instead of a licence, he said, adding that the company was trying to get a license complying with some conditions set by Bangladesh Bank.

READ MORE ON B3

Revenue receipts rise slightly

Sohel Parvez

Revenue collection grew marginally in July owing to the slowdown in business activities in the face of the government's restrictions to combat the coronavirus spread.

Provisional data from the National Board of Revenue (NBR) shows that it logged Tk 15,354 crore in taxes in July this fiscal year, up 4 per cent year-on-year from Tk 14,755 crore the previous year.

TAX COLLECTION IN JULY

(Change year-on-year)

Customs tariff	Tk 4,925cr 2%	↓
VAT	Tk 5,697cr 1.3%	↑
Income tax	Tk 4,732cr 15%	↑

SOURCE: NBR

The tax authority's collection in July, the first month of the fiscal year, was Tk 5,613 crore short from its target.

The NBR said income tax was the main driver to keep the overall receipts in a little bit higher territory as collection of import tariff declined while value-added tax (VAT) was slightly up.

Income tax collection went up 15 per cent year-on-year to Tk 4,732 crore in July.

Collection of VAT, the biggest source of revenue for the state, rose 1.3 per cent year-on-year to Tk 5,697 crore in July from Tk 5,620 crore a year ago.

READ MORE ON B3

Boatmen get their vessels repaired anticipating the return of visitors to Ratargul forest in Gowainghat upazila near Sylhet town. The government allowed all tourist spots, community centres, resorts and recreation centres to reopen from August 19. This has led to a flurry of activity among residents associated with income-generating services at the special freshwater swamp forest characterised by trees inundated by water, particularly during the monsoon. The photo was taken recently.

SHEIKH NASIR

Give long-term loans for industrial dev

Experts urge banks

Star Business Report

Banks in the country should give long-term loans to entrepreneurs who wish to establish industrial units, said speakers at a webinar held yesterday.

They made this suggestion on the basis that no one can build up an industry on short-term loans.

The webinar, styled "Bangabandhu's Industrialisation Philosophy: Today's Bangladesh", was organised by the Bangladesh Chamber of Industries (BCI) to mark the 46th death anniversary of Bangabandhu Sheikh Mujibur Rahman.

Participants said the lenders should give entrepreneurs five to seven years to repay the loans so that they can properly build an industrial unit.

Besides, they should give 25 years to repay the loan if it is used to build a house.

READ MORE ON B3

CURRENCY SWAP

Sri Lanka gets another $100m from BB

Star Business Report

Bangladesh Bank has lent $100 million more to Sri Lanka to help the island nation stay afloat tackling a foreign exchange crisis.

The fund was transferred from Bangladesh's reserve in Federal Reserve Bank of New York on August 30, according to a top central bank official.

On the second week of this month, $50 million was initially lent under a currency swap agreement inked by the BB and the Central Bank of Sri Lanka (CBSL) on August 3.

As per the deal, the first-ever loan to any country from Bangladesh, the central bank will provide a total of $250 million to help prop up the island nation's fast-depleting foreign reserves and ease pressure on its exchange rate.

The financing will be enabled in three phases, meaning another $50 million will be provided, the official said, adding that the outstanding balance limit would never exceed $200 million.

According to the BB official, the CBSL will return the amount in three months at the London Interbank Offered Rate (Libor) plus 2 per cent. But if the tenure goes up to six months, the interest rate will be Libor plus 2.5 per cent.

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BSCIC seeks Tk 1,000cr stimulus fund

Wants to disburse loans for the expansion of cottage industry and SMEs

Sukanta Halder

The Bangladesh Small and Cottage Industries Corporation (BSCIC) has sought a Tk 1,000 crore stimulus package from the government to disburse loans for the development and expansion of the cottage industry and SMEs.

Existing entities and entrepreneurs in remote areas will be allocated Tk 500 crore while those seeking to start business afresh the rest, said the corporation functioning under the Ministry of Industries.

Mustak Ahmed, deputy secretary (BSCIC) to the ministry, sought the allocation in a letter to the Bangladesh Bank governor on August 23.

The BSCIC has already disbursed Tk 50 crore that was allocated under a stimulus package last fiscal year, BSCIC Chairman Mostaque Hassan told The Daily Star

Borrowers are to pay a 4 per cent interest for the loans having a repayment period of two years, including a six-month grace period.

However, entrepreneurs have already started paying instalments, right from the following month on receiving the loan, said Hassan.

The BSCIC plans to use the fresh allocation to run various programmes, including lending and demand-based training, under its own management and in light of its long experience, said Ahmed in the letter.

READ MORE ON B3

The regional office of BSCIC in Barishal. The BSCIC plans to use the fresh allocation to run various programmes, including lending and demand-based training, under its own management and in light of experience, officials said.

STAR/FILE