

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
Week-on-week		As of Friday		Friday Closings				As on Thursday				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
2.41%	2.73%	\$1,785.50	\$74.13	1.09%	0.16%	0.3%	0.07%	84.85	95.16	112.40	13.08	
6,702.61	11,734.51	(per ounce)	(per barrel)	56,930.56	28,562.21	3,096.81	3,622.62	BUY TK	85.85	98.96	116.20	13.75
								SELL TK				

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## Govt's bank borrowing surges for lower sales of savings tools

AKM ZAMIR UDDIN

Government borrowing from the banking sector has seen a rapid surge this fiscal year mainly due to the lower investment of general people and firms in national savings tools, a development that may crowd out the private sector.

The government took loans to the tune of Tk 22,344 crore from banks between July 1 and December 14, data from the Bangladesh Bank showed. It borrowed Tk 26,078 crore last fiscal year.

Although the accelerated borrowing is yet to put any adverse impact on the private sector, this may bring about a credit crunch in the banking sector in the coming months if the current trend of public borrowing persists.

The government has set a bank borrowing target of Tk 76,452 crore for the current fiscal year.

The higher public borrowing is largely the result of individual investors and companies moving away from national savings instruments after the finance ministry cut the interest rate on savings certificates and wage-earner bonds by 1 to 3 percentage points for the investment above Tk 15 lakh in September.

Between July and October, net investment in the savings tools stood at Tk 9,325 crore, down 40 per cent year-on-year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that the government borrowing from the banking sector had not brought any negative effect for the private sector so far.

"But, the ongoing trend has signalled that borrowing will pick up in the days to come. But if the government borrows from the banking sector heavily, it will worsen the existing liquidity stress. So, the government should take preparations to avoid such a situation."

If the liquidity stress deepens, banks may face difficulties in sticking to the lending cap the central bank has put in place since April last year.

According to Mansur, the government should think of withdrawing the 9 per cent interest rate ceiling on loans to

### ANALYSTS SAY..

Govt channelling more funds to dev projects as pandemic eases

Govt borrowing yet to put pressure on private sector

Businesses to face credit crunch if ongoing borrowing trend continues

Persistent higher borrowing will push up lending rates

Adequate credit flow to private sector should be ensured

### GOVT BORROWING FROM BANKS

In crore taka;

\*Till Dec 14;

SOURCE: BB



Liquidity stress in banks will rise if the government heavily borrows from banks. Ensuring fund for the private sector is important to speed up ongoing recovery.

Ahsan H Mansur

Executive director of Policy Research Institute



ensure a smooth credit flow to the private sector.

"Foreign loans and aids can play an important role in helping the government cut its reliance on bank borrowing to meet expenses," said Mansur, adding that Bangladesh had not been able to manage sufficient amount of low-cost loans.

The government will find it tough in securing cheap loans and aids if it fails to reform the financial sector to align it with global best practices, he said.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, says that the declining trend of investment in the national savings tools has

compelled the government to borrow more from the banking system.

"The government should ensure the proper use of funds, or else the debt burden will put an unfavourable effect on the economy."

Both the government and the central bank should make sure that the private sector does not face any barrier when demand for investment picks up, Rahman said.

Credit growth in the private sector has increased sharply in recent months as the economy is running in full swing, shaking off impacts of the coronavirus pandemic.

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## Budget outlay to see marginal cut

REJAUUL KARIM BYRON and MAHMUDUL HASAN

The budget for the current fiscal year is set to be slashed by 1.6 per cent in the revised one because of lower development expenditure, with the cut being marginal for healthy revenue collection and higher subsidy spending.

According to the finance ministry's revised estimate, the revised budget will stand at Tk 594,000 crore, down from the original budget of Tk 603,681 crore.

The finance division last week presented it in the fiscal coordination council meeting chaired by Finance Minister AHM Mustafa Kamal.

The spending under the annual development programme (ADP) will be slashed by 4.43 per cent to Tk 215,000 crore. The allocation was Tk 225,324 crore in the actual budget.

From July to November, the government was able to spend only 23 per cent, or Tk 132,878 crore, of the total budget. The figure is 7.1 per cent higher than the spending in the last fiscal year's first five months.

The revenue generation target of Tk 389,000 crore will remain unchanged in the revised budget since the National Board of Revenue's collection has been satisfactory so far.

The NBR collected Tk 123,558 crore during the five-month period, up 11.2 per cent year-on-year. The revenue target from the NBR was set at Tk 330,000 crore for FY22 and the collection was Tk 100,267 crore in the first five months, up 15 per cent.

The budget deficit between July and November was Tk 9,320 crore, lower than Tk 12,150 crore registered in the same period in the last fiscal year. The lower budget deficit has been the result of higher revenue collection and lower spending.

In the July-November period, the borrowing of the government using savings instruments to bankroll the shortfall was Tk 14,584 crore, down from Tk 19,571 crore in the same period a year ago, owing to the cut of the interest rate on savings certificates and wage-earner bonds by 1 to 3 percentage points.

KSRM

নির্মাণ নিয়ে সিভিল ইঞ্জিনিয়ারের ফ্রি পরামর্শ নিতে ১৬৭৪৯

### BUDGET: BY THE NUMBERS

ORIGINAL	REVISED
Budget size Tk 603,681cr	Tk 594,000cr
ADP Tk 225,324cr	Tk 215,000cr

IMPLEMENTATION  
Jul-Nov '21: Tk 132,878cr  
Jul-Nov '20: Tk 124,018cr

REVENUE  
Jul-Nov '21: Tk 123,558cr  
Jul-Nov '20: Tk 111,065cr



Government's bank borrowing soared to Tk 19,762 crore as of November, which was Tk 12,035 crore in the same period in the previous fiscal year.

"Since the interest rates are still higher for the borrowing through savings instruments, the government is leaning towards banks to reduce the interest expenditure burden," said a finance ministry official.

The government is set to borrow Tk 76,452 crore from the banking system and Tk 32,000 crore using savings tools. Although the budget spending has been low so far in the current fiscal year, it would accelerate in the last half of the fiscal year, the official said.

The government allocated around Tk 50,000 crore in the form of subsidies and incentives for various sectors. The spending is expected to rise due to the price hike of liquefied natural gas, fertilizers and power in the international market.

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## IPO subscription of BD Thai Food underway

STAR BUSINESS REPORT

Subscriptions for the initial public offering (IPO) of BD Thai Food and Beverage began last Thursday and will continue until December 29.

The food and beverage producer previously got the nod from the Bangladesh Securities and Exchange Commission (BSEC) to raise funds of Tk 15 crore by issuing 1.5 crore ordinary shares.

The company is allowed to issue a 15 per cent stake to employees but they would not be able to sell the shares within the first two years of trading.

With its IPO proceeds, the company plans to buy machinery, develop land and complete construction of a new factory.

Its weighted average earnings per share for the last five years was Tk 0.63. BD Thai Food's paid-up capital was Tk 66.5 crore.

BLI Capital and UniCap Investments are the issue managers of the company.

## Stock fluctuations normal

BSEC chairman reassures

STAR BUSINESS REPORT

Prof Shibli Rubayat-UI-Islam, chairman of the Bangladesh Securities and Exchange Commission (BSEC), has urged investors not to panic when the stock market index falls, reasoning that fluctuations are normal.

The problem is that investors become worried if they see that the index is dropping. If they start making purchases at that time, the index will also rise, he said.

Referring to investment practices of Warren Buffet, Prof Islam said the world-renowned stock market investor buys stocks when market falls and sells those when the market soars, and this was the right way to invest in a stock market.

"However, our investors behave just in the opposite manner," he said.

"We don't manage portfolios and don't see who invests where but whenever the market falls, investors blame us. When investors make money, they don't say anything," he added.

The BSEC has enhanced market



Shibli Rubayat-UI-Islam

"We don't manage portfolios and don't see who invests where but whenever the market falls, investors blame us," says BSEC chief

monitoring, so there is no scope for a repeat of the scenario of 2010, he said. That year, the market index and turnover soared, crossing all previous records, before crashing.

Prof Islam's comments came at a seminar on the role of the capital market in the development of the small-and-medium enterprise (SME) sector organised by daily Banijjo Protidin at Economic

Reporters' Forum.

"We always monitor the movements of listed companies and sometimes run special audits. The scenario of some companies scares us," he said.

Some company's funds have been siphoned off and some are really in trouble. "We are taking steps, what they deserve," he added.

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## More people opting for home loans

JAGARAN CHAKMA

Banks and non-bank financial institutions (NBFI) perceive the potential business of mortgage loans in the housing and real estate sector to be fast growing thanks to an expansion of the affluent class and people's increasing spending capacity.

Banks and associated officials taking part in an ongoing five-day "REHAB Fair 2021" at Bangabandhu International Conference Center told this to The Daily Star yesterday.

Though data claims could not be immediately substantiated, the conversation revealed that financial institutions now have potential disbursement portfolios five times bigger than those five years back.

A total of 13 banks and NBFIs are taking part in the fair, where a maximum of Tk 2 crore can be availed as a home loan. The land or flat is kept mortgaged until the loan

### SERVICES AT THE FAIR

- 13 banks and NBFIs taking part in the fair
- Minimum interest rate 7.5%
- Lenders giving spot approvals to home loans
- Loan processing fee 0.50-1%

is paid back.

Rahat Jamil, head of distribution of IPDC Finance, said they started offering home loans in 2016 with Tk 100 crore and that figure has reached Tk 686 crore this year.

"We provide home loans to clients who have a minimum sustainable monthly income of Tk 40,000," he noted.

The IPDC is offering home loans at 7.99 per cent interest marking the fair and already five clients have availed spot approvals of loans, according to him.

Md Sirajus Saleken, head of mortgage and developer relationship management at Brac Bank, said they

were offering home loans at 7.5 per cent interest at the fair.

He said salaried persons, businesspersons and schoolteachers with monthly incomes between Tk 20,000 and Tk 1.30 lakh could avail a home loan.

According to him, landowners who want to construct a building or tinshed structure could avail a loan from Brac Bank.

"We do provide home loans to clients of reputed companies whose projects are at an under-construction stage while clients of ordinary developers can avail loans once the flats are registered," he noted.

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Visitors inquire about offers at a booth of Bank Asia at the ongoing REHAB Fair-2021 organised by the Real Estate and Housing Association of Bangladesh (REHAB) at Bangabandhu International Conference Center in Dhaka yesterday. The fair will run till tomorrow.

PALASH KHAN