Star BUSINESS

Capital shortfall at banks widens

AKM ZAMIR UDDIN

Ten banks in Bangladesh collectively faced a capital shortfall of Tk 34,639 crore in December, which highlighted their fragile health caused by years of irregularities.

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

Irregularities perpetrated at the banks are mainly responsible for the large capital deficit.

Bangladesh Krishi Bank had the highest capital shortfall of Tk 12,428 crore in December, up 15 per cent from a year ago, data from the Bangladesh Bank showed.

Sonali's shortfall widened to Tk 3,640 crore from Tk 3,063 crore during the period.

This led experts to call on the central bank to take immediate measures to address the problem as such a situation sends a negative signal to the international community and local businesspeople that the banking sector is weakening.

Foreign businesses usually look at the capital base and non-performing loans of banks before making any investment decisions. This level of the capital shortfall puts foreign investors at bay, they said.

The volume of the overall surplus capital in the banking sector decreased to Tk 10,843 crore in December, a decline of 32 per cent year-on-year.

The amount of default loans at banks rose last year, bringing a negative impact to the capital base in the sector.

Default loans at 60 banks operating in Bangladesh surged 16.38 per cent year-on-year to Tk 103,274 crore in 2021.

Banks have to set aside a large amount of provisioning against the defaulted loans that ultimately hit their capital base.

The capital adequacy ratio (CAR) also reduced to 11.08 per cent last year in

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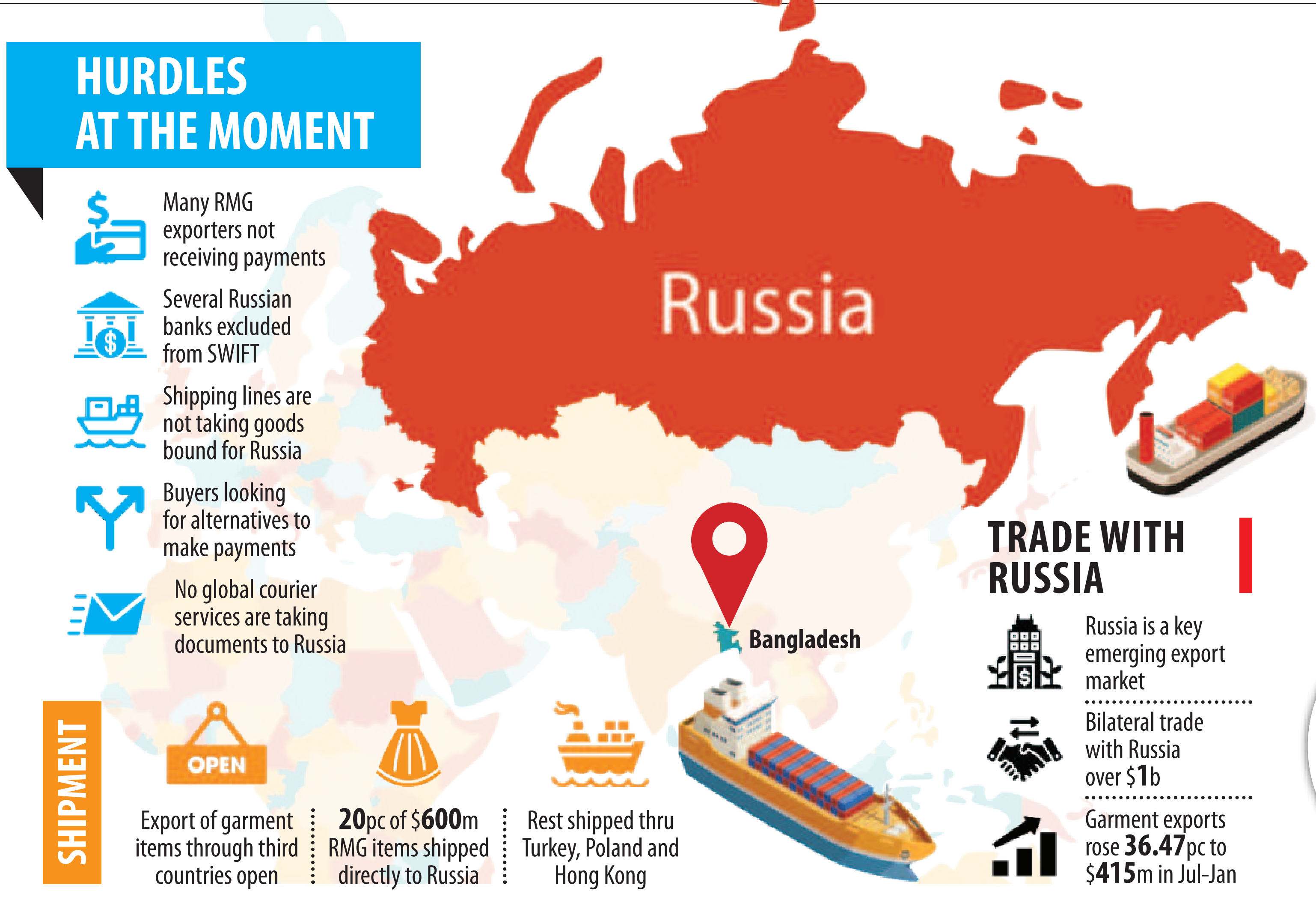

150 garment exporters stare at uncertainty

Shipments to Russia fall, payments hit hurdles

REFAYET ULLAH MIRDHA

Shipment of readymade garments from Bangladesh to Russia and the payments from the buyers are declining day by day as the country's war against Ukraine rages.

As a result, as high as 150 local apparel exporters are passing days in uncertainty as Bangladesh risks losing a key emerging market if the conflict persists and it would dampen the country's efforts to diversify exports.

Bilateral trade between Bangladesh and Russia is worth more than $1 billion and is growing.

But many garment suppliers are not receiving export receipts as several Russian banks have been banned from using SWIFT, the global payments messaging network.

It came after the European Union said it was excluding seven Russian banks from the SWIFT (Society for Worldwide Interbank Financial Telecommunication). The US has recently announced sanctions on four large Russian banks.

Many exporters have either already produced the finished items for the Russian buyers or sent the goods to the Chattogram port to be shipped. But the shipping lines are not taking the goods on board because of the sanctions related to the war.

One of the indirect victims of the war is a Gazipur-based garment exporter. The owner, who talked to The Daily Star on condition of anonymity, said his factory received $5 million worth of orders from Russia in November.

Accordingly, he shipped men's and women's tops, casual shirts and other woven garment items worth $5.80 lakh. However, the export documents were sent back to him from Hungary last week because of the SWIFT ban.

Garment items amounting to $3 lakh are lying at the Chattogram port as no shipping company is willing to transport them to the destination.

Another 11 lakh pieces of garment items are waiting to be manufactured as per the order. But there is uncertainty as the buyer is asking the supplier to delay the shipment.

For the exporter, the Russian-Ukraine war has emerged as a major blow. And it came at a time when his business was recovering from the pandemic-induced slowdown on the back of the increased volume of orders from international retailers and brands with the receding of coronavirus cases.

In order to manufacture the finished goods, he has already purchased raw materials and other accessories from China valued $2 million with the money from the back-to-back letters of credit.

So far, $3 million out of a total $5 million of the order has been badly impacted because of the SWIFT ban, he said.

As he will not receive payments since he has not been able to ship the goods, the bank will turn his loan into forced loans as he is losing the capacity to repay.

"My Russian buyer is only saying he is looking for an alternative solution to make the payment. We are also eagerly waiting for the payment," said the exporter.

The businessman shipped garment items worth $70 million last year and employs more than 2,700 workers.

A payment of $2.5 million for a consignment of garment exports has become uncertain for Rajiv Chowdhury, managing director of Young 4 Ever Textile as well. He, however, received $2 lakh

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Protect purchasing power of the poor

Says Debapriya

STAR BUSINESS REPORT

Protecting purchasing power of the left behind and financially insolvent people is the prime concern and for that the government should stabilise prices of basic necessities and improve employment opportunities, said economist Debapriya Bhattacharya.

"Many people, including lower income groups, middle class, informal sector ones, returnee migrants, the left behind, have lost purchasing power due to high price rise and there is a lack of employment opportunity for them," he said.

For them, it is utmost crucial to deliver Sustainable Development Goals (SDGs) as it provides more importance to the development of the left behind rather than the high economic achievement indicators, he said.

Bhattacharya, convener of Citizen's Platform for SDGs, Bangladesh and a distinguished fellow at the Centre for Policy Dialogue (CPD), proposed two policy supports to tackle the crisis.

One, from the macroeconomic perspective, is taking measures so that the taka does not depreciate for its effects on imported inflation alongside interest rate management so that loan pressure gets reduced for the low-income and left behind.

The other is to protect the purchasing power by lowering soaring prices by slashing tariffs on products of daily necessity.

He said the government should immediately reduce duties, tariffs and taxes to make essentials more affordable and provide access to basic commodities at "fair prices" by expanding open market sale (OMS) operations of the Trading Corporation of Bangladesh (TCB).

"The number of products of the TCB have to increase and this supply should be expanded to different areas outside Dhaka," said Bhattacharya.

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STOCKS

DSEX ▲	CSCX ▲
0.57% 6,668.14	0.82% 11,737.15

COMMODITIES

Gold ▲	Oil ▲
$2,006.37	$112.86 (per barrel)

CURRENCIES STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥CNY
BUY TK	85.05	93.18	111.53	13.21
SELL TK	86.05	96.98	115.33	13.89

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.50% 55,464.39	▲ 3.94% 25,690.40	▲ 1.42% 3,240.73	▲ 1.22% 3,296.09

Govt scraps coal terminal project at Payra port

STAR BUSINESS REPORT

The government yesterday gave the approval to strike off a project that aimed to construct a bulk coal terminal at Payra port from the list of public-private partnership projects as part of its policy to discourage coal-fired power plants.

The cabinet committee on economic affairs gave consent to a proposal of the shipping ministry during a virtual meeting, chaired by Finance Minister AHM Mostafa Kamal.

He said the government has decided to discourage the construction of coal-based power plants.

The decision to delist the bulk coal terminal was taken as building a dedicated coal terminal at Payra port is not consistent with the government's long-term plans on coal-powered electricity plants.

The Prime Minister's Office also gave the nod to scrap the project as it is not economically viable, he said.

"Considering all these, the government has taken the decision," Kamal added.

The Payra port, which sits on the west bank of Rabnabad channel at the confluence of the Galachipa-Tentulia river, started operation in 2016 with ship-to-ship cargo transfer on a limited scale.

The port's components also include the terminals for containers, oil and liquefied natural gas.

On February 28, Japan's Sumitomo Corporation, a member of the consortium building the Matarbari coal-fired power plant under phase-1, announced that it would not participate in the second phase's bidding

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Workers are unloading coal from a ship in Barishal city. Finance Minister AHM Mostafa Kamal said the government has decided to discourage the construction of coal-based power plants.

PHOTO: TITU DAS

Panel formed to address edible oil price manipulation

STAR BUSINESS REPORT

The Bangladesh Competition Commission has formed a three-member committee to root out edible oil price manipulation practices in the domestic market.

It was recently found that some companies engage in anti-competitive activities when it comes to selling edible oil in order to make hefty profits, the commission said in a statement yesterday.

The commission also sought information from the people about any anomalies in local edible oil prices.

However, the names of people who report anomalies such as price manipulation will not be disclosed, according to the statement.

A section of dishonest businessmen have been selling edible oil at much higher rates in violation of the government-fixed

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