

# Star BUSINESS



Banking with a Difference Prime Bank

## UNDERSEA CABLE III Double bandwidth at 25pc higher investment

STAR BUSINESS REPORT

Bangladesh Submarine Cable Company will increase its planned investment to connect to a third submarine cable by 25 per cent to avail double the bandwidth.

With Tk 870 crore, the company will now get 13,200 Gbps from the South East Asia-Middle East-Western Europe 6 (SEA-ME-WE 6) consortium.

Currently the state-run venture avails 2600 Gbps from SEA-ME-WE 4 and SEA-ME-WE 5. Another 1,000 Gbps or so of the bandwidth comes from India through six international terrestrial cable service providers based in Bangladesh.

Demand for bandwidth in the country now stands at 3,400 Gbps.

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The third cable's addition will take the company's capacity to 15,800 Gbps.

"This is big news for Bangladesh and it will meet our bandwidth demand until 2030," Telecom Minister Mustafa Jabbar told The Daily Star. "As thousands of schools will be connected to the internet, this low-cost but huge addition will help us cater to them," he added.

"Bangladesh will get the bandwidth from January 2025," said Md Abdus Salam Khan, company secretary to Bangladesh Submarine Cable Company.

"We are planning to increase the bandwidth capacity keeping the future demand in our mind as the internet use is increasing rapidly," he said.

Last year, Bangladesh signed an agreement with the SEA-ME-WE 6 consortium for the construction and maintenance of a connection to the third submarine cable.

At the end of 2020, the Executive Committee of the National Economic Council approved this Tk 693-crore project.

## WHY BB TOOK THE DECISION

Some NBFIs offer high deposit rate ignoring market trend



High deposit rate fuels lending rate



Many borrowers are incapable of repaying loans



Default loans at NBFIs are on the rise



## WHAT NBFIs SAY



They have to compete with banks to mobilise deposit



Most non-banks will be unable to attract deposit



Lending programme may face a setback

BUSINESSES HAPPY



This will help keep cost of doing business low



Will bring uniformity between banks and NBFIs

## ECONOMISTS' VIEWS



Depositors will be affected further



Real interest rate on deposit will be minimal



BB should not consider the cap on a long-term basis

# Non-bank interest cap goes against global trends

AKM ZAMIR UDDIN and SOHEL PARVEZ

The Bangladesh Bank yesterday imposed an interest rate cap on deposits and loans at non-bank financial institutions aligning with the ceiling now prevailing at banks although rates are rising globally to tame runaway inflation.

So, NBFIs will have to charge a maximum of 7 per cent on deposits and 11 per cent on loans from July 1, according to a BB notice.

The central bank move came two years after it capped the interest on lending at 9 per cent and deposits at 6 per cent for banks, igniting the debate whether such intervention is the right approach as it sidesteps market forces.

The interest cap comes at a time when countries are raising rates to combat inflation. For example, in March, the US central bank approved its first interest rate increase in more than three years.

A number of economists and the International Monetary Fund (IMF) have already opposed such intervention.

Economists and top executives of NBFIs say the interest cap would hand a blow to the financial health of the majority of non-banks, which

are already struggling to keep pace with banks in mobilising deposits.

Besides, the interest rate cap on deposits will further penalise savers as they have been hit hard by the lower interest rate regime given the upward trend of inflation.



Some NBFIs have recently begun offering interest rates that are higher than the market rates with a view to collecting deposits, the BB said.

The high interest rates have fueled the cost of funds for the NBFIs. The higher interest rate on deposits quoted by NBFIs has pushed up the lending rate, bringing an adverse impact on borrowers.

As a result, the repayment capability of borrowers has eroded, sending default loans to higher levels and thus bringing negative effects on

the entire economy.

The latest ceiling will not apply to the deposits collected before the BB instruction takes effect.

Mominul Islam, chairman of the Bangladesh Leasing and Finance Companies Association, a platform of

interest rates should not be fixed as the market forces would determine it.

"Fixing interest rate can't solve the existing problems of the NBFIs."

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, says the imposition of the interest rate would create problems for NBFIs in collecting deposits and disbursing loans.

"The Bangladesh Bank should reconsider its decision on a temporary basis. Many NBFIs are now in a crisis and the crisis will prolong if they can't mobilise funds as expected."

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, says the interest rate cap is distorting the overall market.

"Fixing interest rate is not the right approach as it affects the market mechanism. The low-interest rate on deposits will affect savers."

The economist argues that the real interest rate becomes negative if inflation is taken into account.

"So, people will feel discouraged to keep deposits at banks."

Inflation in Bangladesh

## Digital sales take off as Eid nears

MAHMUDUL HASAN

Sales on digital platforms have picked up in Bangladesh as people in droves are purchasing products online as part of their preparations to celebrate Eid-ul-Fitr.

Facebook-based businesses and the online platforms of brands are driving the sales growth of the digital commerce segment, while e-commerce firms have received lukewarm responses since customers' trust in the scam-hit e-commerce firms is yet to be restored.

Owners of F-commerce-based entities are receiving the same number of orders they got at the same time last year, industry people say.

For instance, the flow of the orders was surged a point for Farah's World that its owner Samia Farah was forced to stop receiving orders of custom-made dresses since the first day of Ramadan.

"I had thought online fashion would see a drop since the pandemic has petered out. But, to my surprise, the orders have almost returned to the same level as was in 2021 when the growth was tremendous."

Customers can still place orders for ready-to-wear and other products at Farah's World.

The top-selling items in the digital commerce sector this Eid are clothing items, cosmetics, leather products, and jewellery.

"Owing to the pandemic, customers were habituated with online purchases, and sales of this season have proved that they have not lost the habit despite the improvement in the pandemic situation," said Nasima Akter Nisha, president of the Women and e-Commerce Forum (WE).

"This is the most encouraging thing."

WE is a Facebook-based platform where more than 3

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## Five brick makers get Tk 2.87cr off carbon credits

STAR BUSINESS REPORT

Five local brick manufacturers received a total of Tk 2.87 crore yesterday for reducing carbon emissions through the use of fuel efficient technology.

The five—Kapita Auto Bricks, Eta and Tiles, Banolata Refractory, Universal Bricks and Eco Brick—reduced carbon dioxide emissions by 65,603 tonnes using Hybrid Hoffman Kiln (HHK) technology between January 2018 and March 2020.

The HHK technology uses a combination of powdered fuel and clay and captures the heat generated to dry brick in an adjacent tunnel, which leads to lower energy consumption and air pollution.

The emission reduction was certified by the United Nations Framework Convention on Climate Change (UNFCCC).

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## DSE's key index plunges below 6,500 points

STAR BUSINESS REPORT

Dhaka stocks underwent a massive erosion yesterday, with a dearth of buyers and panicked investors pressing for sales pulling the index below 6,500 points again after one and a half months.

Throughout the trading period, there was no buyer for most of the shares as apprehensions were running high that the index may fall further. But this was prevented by the stock market regulator, according to market analysts.

The Bangladesh Securities and Exchange Commission (BSEC) launched a circuit breaker last month to activate in case of a 2 per cent share price drop, all to prevent the market from going on a free fall.

"General investors are in panic, so they are trying to sell shares that pushed down the market," said a stockbroker.

In some cases, stock brokers and merchant bankers sold shares as the margin loan based stocks dropped by a huge extent and they needed to sell shares to adjust the margin.

The market is driven by stocks that fall victim to manipulation, so stocks with good performance records were bearish over the past couple of weeks, hurting thoughtful investors, he said.

Though the index was in a falling trend, the manipulators were active, he added.

International Leasing Securities said the stock market witnessed another massive fall and recorded the lowest turnover in the last one year.

The jittery investors went on a heavy sell-off to avoid further erosion of their portfolios.

Some of the investors were stuck with heavy losses in their portfolios and could not shrug it off, it added.

The DSEX, the benchmark index of the DSE, plunged 72 points, or 1.10 per cent, to 6,482 at the end of the day. This is lowest point to be reached since March 8, when the index dropped to 6,474 points.

The DS30, the blue-chip index, and DSES, the Shariah-based index, lost 25.32 points and 13.55 points respectively.

Turnover too dropped to Tk 390 crore from Tk 393 crore the previous day.

According to the turnover, investors' attention was mainly concentrated on miscellaneous (24.8

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STOCKS	
DSEX ▼	CASPI ▼
1.10% 6,482.38	0.89% 19,130.47

  

COMMODITIES	
Gold ▼	Oil ▲
\$1,985.83 (per ounce)	\$108.01 (per barrel)

  

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 2.01% 57,166.74	▼ 1.8% 26,799.71	▼ 0.98% 3,303.07	▼ 0.49% 3,195.52