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Take insurance coverage for export financing

BB asks banks

STAR BUSINESS REPORT

The Bangladesh Bank yesterday asked banks to take insurance coverage against their financing to exporters in a bid to minimise default risk of loans.

As per banking norms, lenders can provide post-shipment financing to exporters as they wait to receive funds from buyers through correspondent banks.

In such a situation, there is always a default risk if the correspondent banks, through which funds are received by exporters, don't pay back the value of the items shipped on time.

The default risk will be minimised if banks



take insurance coverage, according to a Bangladesh Bank notice.

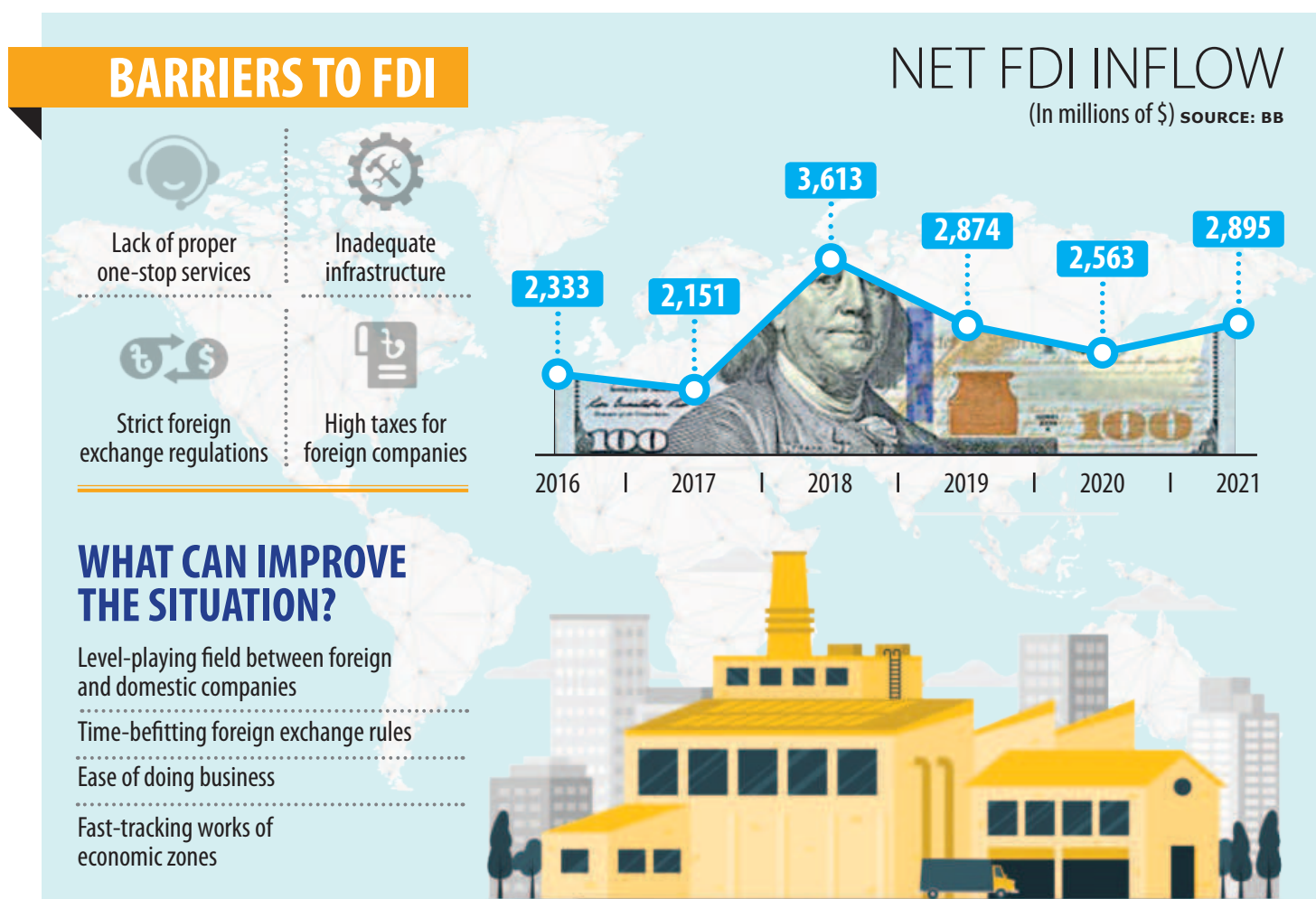
This will give an extra comfort to banks as insurance companies have to take responsibility in the event banks don't receive the funds as promised.

The central bank, however, said that banks would take the coverage with the consent of exporters.

Banks also will be allowed to take insurance coverage for their financing to exporters extended during the pre-shipment stage.

The central bank, however, warned banks that insurance coverage would not give waiver to them from realising export proceeds, which need to be repatriated within four months from the date of shipment as per foreign exchange regulations of the BB.

A BB official says the insurance coverage will help banks provide facilities to exporters since insurance coverage protect the financing of banks from credit risks.



FDI GOES UP but lower than expected

AKM ZAMIR UDDIN

Foreign direct investment to Bangladesh rose 13 per cent year-on-year to \$2.89 billion last year, in a positive development for an economy long looking to increase the flow of external funds to accelerate its growth, official figures showed.

FDI inflow has been far lower than the expected level given the country's business volume and potential of the economy.

Strict regulations, bureaucratic complexities, inadequate infrastructures and lack of one-stop service have become major challenges to lifting the volume of FDI.

Fresh investment, or equity capital, was at a higher level last year compared to 2020, which has been described by economists as a good development for the country's investment sector.

FDI in the field of equity capital rose 35 per cent to \$1.13 billion, according to data from the Bangladesh Bank.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said that the inflow of equity capital had not been positive for long.

It finally rebounded last year.

The inflow of equity capital means that foreign companies brought in fresh funds to the country.

Two other segments of FDI are reinvested earnings and intra-company loans.

Foreign investors had earlier reinvested their earnings, generated in Bangladesh,

comfortable in making the country their investment hub.

"There are a lot of positive indicators of the economy, but it has not tapped the potentiality of FDI."

Some peers of Bangladesh have managed to secure a higher volume of FDI.

For instance, Vietnam received \$19.74 billion last year



significantly, but the trend reversed last year.

The reinvestment of earnings stood at \$1.562 billion last year in contrast to \$1.566 billion a year prior.

Intra-company loans increased to \$194 million, up 25 per cent year-on-year.

Rahman said that the government should ensure one-stop services for foreign investors so that they felt

and \$4.42 billion in the first quarter of this year.

"The country should follow the measures that Vietnam has taken," said Rahman.

Rahman said that development works of economic zones should be completed in the quickest possible time as they would attract foreign investors.

He laid emphasis on the ease of doing business by removing

red tape as many investors are shying away from the country due to the bureaucratic complexities.

The government had targeted to attract \$32 billion in FDI during the Seventh Five-Year Plan period stretching from the fiscal year of 2015-16 to 2019-20. But the country managed less than \$10 billion.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the Bangladesh Bank should liberalise its foreign exchange regime further so that businesses could repatriate funds smoothly.

"The central bank should provide policy support to them in a way that helps them settle foreign transactions in Bangladesh without any hassles."

The economist called for ensuring a one-stop service as many investors were struggling to get the benefits from the initiative.

Mamun Rashid, an investment analyst, says Bangladesh has a strong wish to attract foreign investment, but there are some barriers that discourage foreign entities.

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No more barriers to eSIM launch

STAR BUSINESS REPORT

The barrier to launching eSIM services has been finally removed as the National Board of Revenue (NBR) has set the value-added tax for the sale of digital subscriber identity modules by the mobile phone operators in Bangladesh.

Tk 200 has to be paid as VAT for each eSIM, similar to that for the regular SIM card, according to a letter from the NBR to the telecom regulator and operators on April 21.

This means Grameenphone will now be able to roll out eSIMs to become the first operator in Bangladesh to make digital SIMs available.

The largest mobile phone operator had announced to launch eSIM on March 7.

However, the Bangladesh Telecommunication Regulatory Commission (BTRC) put a bar on the rollout citing concerns over a lack of clarity centring revenue collection from the issuance of digital SIMs.

GP said eSIM would be available at selected Grameenphone centres from today

On top of that, the BTRC said Grameenphone had not taken prior permission.

"We have served a show-cause notice on GP. After getting the reply, we will consider it," BTRC Chairman Shyam Sunder Sikder yesterday.

"We have no objection to allowing the launch of such a service in principle. But, without taking any permission, no operator can do it. That is why we have issued them a show-cause notice."

But sources at the operator said it had already taken the commission's permission to roll out the service.

In a press release yesterday, GP said eSIM would be available at selected Grameenphone centres from today.

"We are happy and inspired to bring this advanced and climate-friendly technology to Bangladesh," said Yasir Azman, chief executive officer of Grameenphone.

Customers can get their eSIM connection from GP House Experience Center, GPC Lounge Gulshan, GPC Lounge GEC in Chattogram, GP online shop, Motijheel GPC, Farmgate GPC, Bashundhara city GPC, Dhaka Airport GPC,

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STOCKS	
DSEX ▲	CASPI ▲
0.31% 6,683.23	0.26% 19,645.98

COMMODITIES		AS OF FRIDAY
Gold ▼	Oil ▼	
\$1,931.96 (per ounce)	\$101.68 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 1.23% 57,197.15	▼ 1.63% 27,105.26	▲ 0.38% 3,361.11	▲ 0.23% 3,086.92	

Stocks rise for fourth day

Turnover nears Tk 900cr

STAR BUSINESS REPORT

The stock index in Bangladesh continued to rise for a fourth consecutive day yesterday while turnover of the market reached nearly Tk 900 crore after 14 working days.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), rose 20 points, or 0.31 per cent, to 6,683 at the end of the day. In the last four days, the index rose 200 points.

Turnover of the DSE also surged 18 per cent to Tk 895 crore from the previous day's Tk 754 crore.

The investors showed their interest and put fresh bets on sector-specific issues, said International Leasing Securities in its daily market review.

The institutional fund flows to the market created a bullish vibe among investors that significantly increased their participation.

At the day's end, DS30, the blue-chip index, gained 8.05 points and the DSES, the Shariah-based index, lost 3.08 points.

The gainers took a modest lead over the losers as out of a total of 381 issues to undergo trade, 200 advanced, 142 declined, and 39 remained unchanged.

Among the sectors, general insurance rose 1.9 per cent, travel and leisure 1.4 per cent and financial institutions 1.2 per cent.

According to the turnover, investors' attention was mainly concentrated on miscellaneous (14.1 per cent), financial institutions (13.7 per cent) and pharmaceuticals and chemicals (13.5 per cent).

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Tea production will be better this year as it started raining in Sylhet and Chattogram on time, said experts.

PHOTO: STAR/FILE

Tea auction begins in Ctg today

STAR BUSINESS REPORT

The first tea auction for 2022-23 will begin today at the Chattogram Tea Auction Centre.

In the first phase, 1,058,708 kilogrammes (kgs) of tea leaves collected from 97 tea gardens across the country will be sold.

On the other hand, the auction in Sreemangal -- the country's second auction centre -- will begin on April 27.

Forty-five tea auctions will be held in Chattogram and 23 in Sreemangal.

"The demand for tea will increase for Eid-ul-Fitr," Omar Hannan, chairman of the Tea Traders Association of Bangladesh, told The Daily Star.

"We hope to get better prices in the auction, as buyers are also showing interest to take part in it. I think the tea market will become stable after the end of the Covid-19 pandemic."

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