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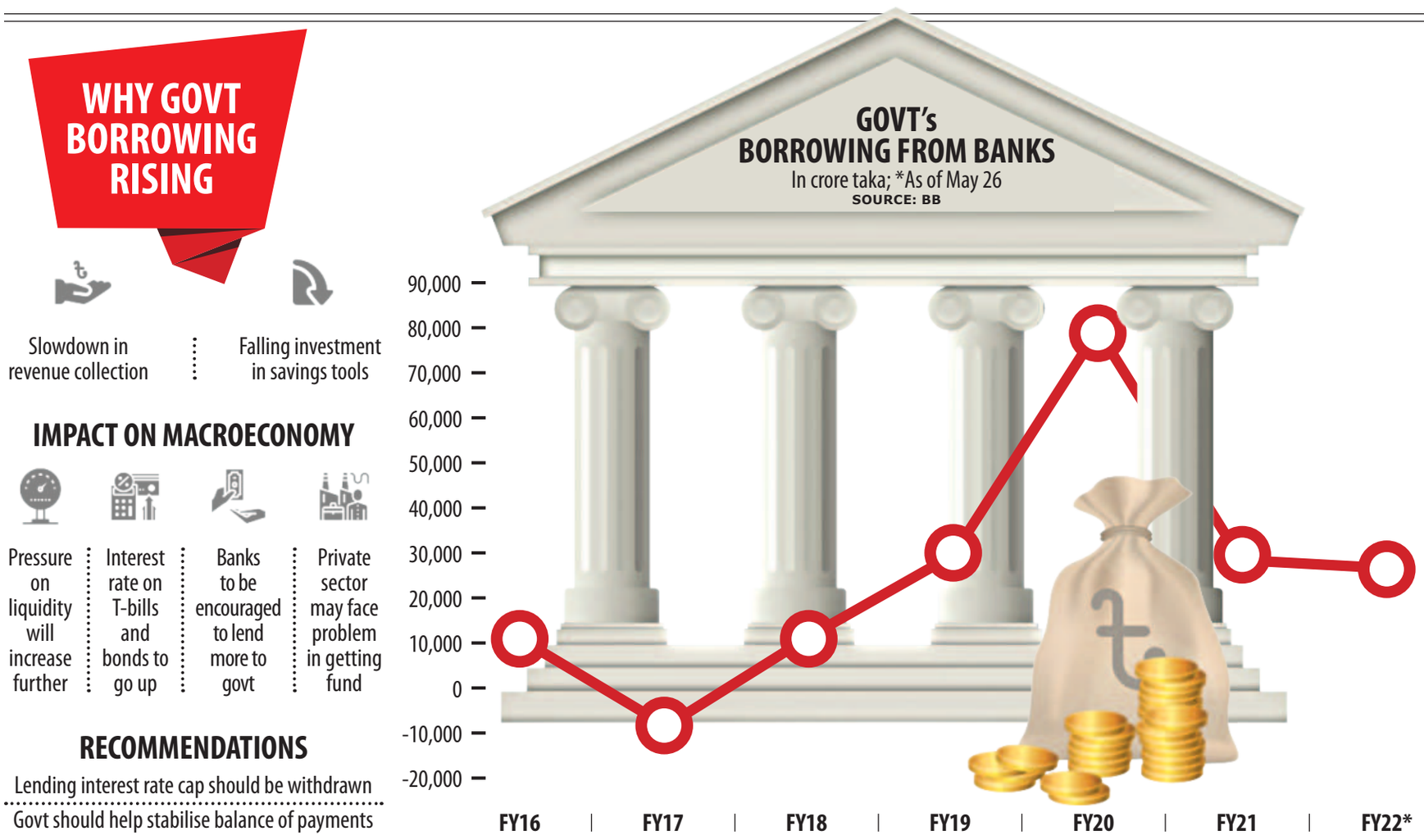

Govt's borrowing from banks to go up

Sluggish revenue and falling investment in savings tools to blame

AKM ZAMIR UDDIN

The government's borrowing from the banking system has started to go up mainly due to its lacklustre performance in revenue collection and falling investment in savings certificates.

The government had borrowed Tk 19,356 crore from banks from July 1 to April 27 of this fiscal year against its fiscal target of Tk 76,452 crore.

But by May 26, the figure had gone up to Tk 26,741 crore, meaning it had borrowed Tk 7,385 in a span of just around one month.

Analysts said government borrowing from banking sources might go up substantially in June since it was the final month of the fiscal year when all dues are usually paid.

The National Board of Revenue (NBR) has still a long way to go to fulfil its fiscal target, which will force the government to avail a hefty amount of loans from banks, they said.

Tax collection stood at Tk 227,756 crore until April against this fiscal year's target of Tk 330,000 crore, showed data from the NBR.

In addition, investment in national savings certificates has declined to a large extent as the government introduced investment slabs and slashed the interest rate anywhere from 1 percentage point to 3 percentage points on different savings tools last year.

Between July and April this fiscal year, net investment in the tools stood at Tk 17,519 crore, down 50 per cent year-on-year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the interest rate on treasury bills and bonds would go up as the government had commenced availing loans from banking sources.

T-bills and bonds are the securities used by the government to borrow from banks.

For instance, the interest rate on the 10-year treasury bond stood at 8 per cent in May in contrast to 5.80 per cent a year ago.

The soaring interest rate on the instrument will encourage more to banks to lend to the government, Mansur said.

If the government borrows more, the interest rate on the securities will go up in tandem, he said.

Against this backdrop, banks will try to ignore the private sector when disbursing loans, where the maximum interest rate is 9 per cent, as they have to maintain provisioning against the funds, he said.

In addition, some of the funds disbursed to individuals may also become defaulted, for which lenders are compelled to keep additional provisioning.

But there is no such risk for the funds given out to the government, said Mansur, also a former official of International Monetary Fund.

If the interest rate cap on lending is withdrawn, banks will feel encouraged to disburse loans in the private sector, he said.

Withdrawal of the cap will also ease the ongoing crisis in the balance of payments, he said.

He explained that banks were now buying US dollars in exchange of the taka, which has created pressure on liquidity in the money market.

If the lending rate cap is lifted, the interest rate on post-import financing will increase, Mansur said.

This will ultimately decrease import payments, which will subsequently give respite to the local currency from the ongoing pressure of the exchange rate against the US dollar.

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, said June's auction calendar, which was a schedule of government borrowing prepared by the finance ministry, has given an indication that an increasing amount of loans would be taken from banks this month.

Against this backdrop, the interest rate on the T-bills and bonds will increase further, which is positive for banks, he said.

Banks have to face different risks when disbursing funds among individuals, he said.

The liquidity situation in the banking sector is now under pressure, he said.

He reckons that the central bank may reduce the supply of the taka to the market so as to contain inflation.

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Budget to be cautiously larger

State minister for planning says in interview

REJAUL KARIM BYRON *and* DWAIPAYAN BARUA

The government is preparing the budget in a cautious way, refraining from increasing expenditure by too much of an extent, keeping in mind the ongoing global economic crisis stemming from the pandemic and Russia-Ukraine war, State Minister for Planning Shamsul Alam said.

In the coming fiscal year, overall public spending is projected to be at 15.4 per cent of the gross domestic product (GDP), the lowest in seven years.

The state minister termed the ongoing economic crisis an international economic problem leading to recession.

But the government is aware of this challenge, he said.

"We are aware of it and we will be making our budget facing the challenges...the combined effects of these two great debacles of our present time," Alam said in an interview with The Daily Star recently.

"We will prepare the next budget in a very cautious way, not increasing or expanding the budget expenditure too much, irrespective of what is written in the five-year plan. It will be lower than what is predicted in the 8th Five Year Plan," he said.

The 8th Five Year Plan was prepared assuming 2023 would be like any other normal year, he said.

The size of the draft budget for the next fiscal year of 2022-23 has been fixed at Tk 678,064 crore while the 8th Five Year Plan projected that the budget size of FY23 would be Tk 7.92 lakh crore.

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STOCKS

DSEX ▼	CASPI ▼
0.31%	0.32%
6,468.60	18,958.76

COMMODITIES

Gold ▲	Oil ▼
$1,844.62 (per ounce)	$118.20 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.02%	▲ 0.10%	▲ 0.15%	▲ 0.17%
55,107.34	27,943.95	3,231.54	3,241.76

Taka loses further ground vs dollar

AKM ZAMIR UDDIN

The local currency yesterday depreciated further against the US dollar, hitting Tk 92 for each greenback in the interbank platform.

The exchange rate of the taka stood at Tk 91.5 per dollar on Monday after facing a depreciation of Tk 0.45.

Now, the local currency has suffered another dip of Tk 0.5, marking the 11th time this year that it has been depreciated.

Bangladesh Bank also injected $129 million into the market yesterday to help banks settle their import bills, a central bank official said.

The central bank supplied a record $6.46 billion to the market between July 1 and June 7 this fiscal year.

Despite that, the foreign exchange market is still facing a shortage of US dollars due to soaring import payments and declining trend of remittance.

The country's import payments have shot up since the end of last year because of the rising price of commodities in the global market.

The pent-up demand after the height of the Covid-19 pandemic initially played a pivotal role in pushing up commodity prices. The pandemic had disrupted the global supply chain, deepening the crisis.

Besides, the Russia-Ukraine war has worsened the situation further.

Against this backdrop, the country's import payments escalated in recent months, creating an immense pressure on the taka against the dollar.

Between July and April this fiscal year, imports went up by 41 per cent to $68.66 billion, while exports grew 35 per cent to $41.10 billion. This resulted in a record trade deficit -- the gap between exports and imports -- of

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Paddy being cultivated in Laksham of Cumilla for the upcoming Aus season which runs from July to August. Some 2,706,320 acres of land were cultivated in fiscal year 2019-20, leading to the production of an estimated 2.75 million tonnes, whereas it was 2.77 million tonnes the year before, according to the Bangladesh Burau of Statistics. The photo was taken yesterday. PHOTO: MOSTAFA SHABUJ

NBFIs asked not to write off loans of scamsters

STAR BUSINESS REPORT

The Bangladesh Bank yesterday asked non-bank financial institutions (NBFIs) not to write off default loans swindled by scammers.

Lawsuit has to be filed against the scammers, who siphoned off the funds from the NBFIs in the name of taking loans, according to a Bangladesh Bank notice.

Some scammers have recently taken loans from NBFIs by showing non-existing businesses and the practice has already dealt a blow to the corporate governance in the NBFI sector, a BB official said.

The central bank has recently found that a group of NBFIs wrote off non-performing loans (NPL) taken by the scammers, he said.

As per the rules, NBFIs can write off the default loans, which

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