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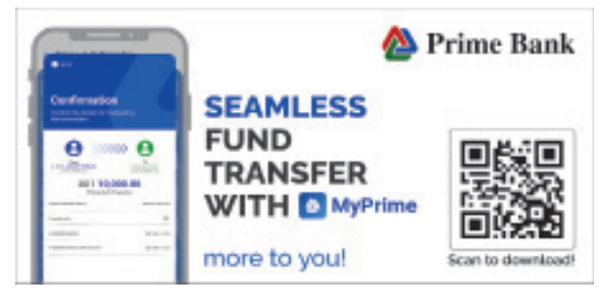

Default loans now stand at Tk 126,389cr

Kamal says

STAR BUSINESS REPORT

Finance Minister AHM Mustafa Kamal told parliament yesterday that people had defaulted on repayments against loans amounting to Tk 126,389 crore in the country as of March this year according to Credit Information Bureau.

Banks and financial institutions are unable to realise another Tk 21,046 crore due to High Court stay orders, he added while responding to a question.

Highlighting government steps, Kamal said cases were being filed against loan defaulters, a defaulter of one bank cannot take loans from another and banks have been advised to use alternative dispute resolution methods to recover loans.

Banks and financial institutions are unable to realise another Tk 21,046 crore due to High Court stay orders, the finance minister said

He also said the bank company act would be amended where intentional loan defaulters would face various restrictions.

Replying to another question, Kamal said there was no specific information on money laundering from Bangladesh and it was very difficult to determine the amount.

He mentioned that various development agencies and research institutes have different estimates but they too do not claim that their figures were wholly appropriate.

All government agencies are working to track down possible smuggling sources, prevent money laundering and bring the money back, he said.

Some 20,41,534 Singaporean dollar has been returned on November 20, 2012 which was smuggled to Singapore.

The Anti-Corruption Commission is currently investigating a number of cases involving the purchase of flats or houses or money laundering in other ways abroad, such as to Singapore, Malaysia,

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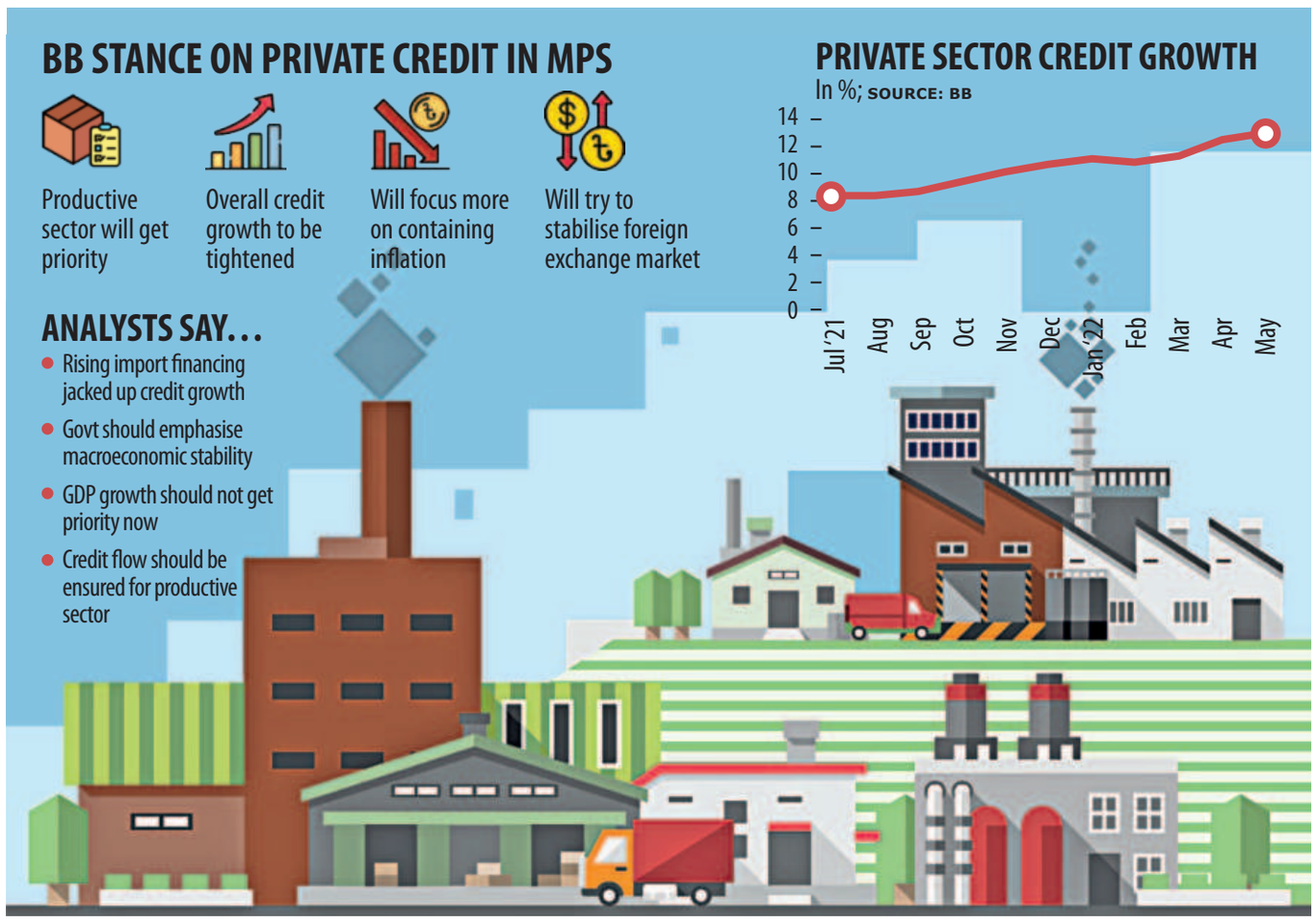

Private credit growth ticks up further

Good news for businesses, bad for consumers

AKM ZAMIR UDDIN

Private sector credit growth in Bangladesh accelerated to 12.94 per cent in May, the highest in more than three years, but rising inflation and deepening volatility in the exchange rate have paled the attainment.

The credit growth in the first 11 months of the current fiscal year is, however, below the Bangladesh Bank's ceiling of 14.80 per cent for the entire year.

Economists say both the government and the central bank should focus on containing inflation, instead of GDP growth, restoring discipline in the foreign exchange market and tightening the private sector credit growth until the macroeconomy returns to its former self.

The BB will revise the target on June 30 when it is due to unveil its monetary policy statement for the coming fiscal year of 2022-23.

Contacted, Md Habibur Rahman, chief economist of the BB, said that monetary programmes might be designed in a way that tightens the credit flow to the private sector.

It was time to contain inflation and ensure stability in the foreign exchange market, he said, adding that the next Monetary Policy Statement (MPS) will highlight the issues with utmost importance.

The MPS would come at a time when inflation shows no signs of abating.

Inflation surged to an eight-year high of 7.42 per cent in May, driven by a hike in food costs amid significant spikes in global commodity prices.

"But we will definitely take plenty of measures to supply adequate funds to the productive sector such that expected jobs are generated," Rahman said.

The central bank might consider withdrawing the lending rate cap or making it flexible such that the money supply gets tightened, said a BB official, wishing not to be named.

The central bank has maintained a 9-per cent cap on loans since April 2020.

In addition, the monetary authority may hike the key interest rate to make funds costlier, said the central banker.

Central banks usually hike the key interest rate, also known as the repurchase agreement (repo) in Bangladesh, so as to rein in the price pressures since the move reduces the money supply.

Amid a sharp increase in price pressures, the central bank of Bangladesh too raised its key interest rate for the first time in a decade on May 29 as it raised the repo rate by 25 basis points to 5 per cent.

But it may have to increase the policy rate once again in keeping with a revision of the lending rate cap. The central bank will keep the private sector credit growth unchanged for FY23, the BB official said.

The credit growth in the private sector accelerated in recent months due to a strong recovery of the economy from the pandemic-induced slowdown, said Mashrur Arefin, managing director of The City Bank.

The recovery has fueled the post-import financing as many businesses have taken up loans to settle import bills. In addition, demand for almost all goods has skyrocketed, leaving a positive impact on credit growth, he said.

However, higher-than-expected import payments have strained the balance of payments in Bangladesh.

Between July and April, imports went up by 41 per cent to $68.66 billion, while exports grew 35 per cent to $41 billion. This resulted in a record trade deficit of $27.56 billion, up 53 per cent year-on-year.

As a result, the local currency has suffered a major depreciation in recent weeks.

Yesterday, the taka traded at Tk 92.95 per USD on the interbank platform in contrast to Tk 84.80 a year ago.

Higher import costs brought the reserves down to $41.38 billion on June 15, way lower than $46.15 billion on December 31.

"This is not the right time to target a higher GDP growth. Rather, we should

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RMG exports to Russia on decline

Exporters keep hopes up on alternative shipment, payment modes

REFAYET ULLAH MIRDHA

The ongoing Russia-Ukraine war has started to have a heavy impact on garment shipments to Russia as export earnings are declining significantly from this promising market for Bangladeshi apparel goods.

In the July-February period, earnings from garment export to Russia stood at $482.23 million, meaning that the average monthly earning was $60.15 million in the first eight months of the current fiscal year.

However, the average monthly earning in the last three months between March and May from the Russian market declined significantly to $27.05 million, totalling $81.17million.

Although apparel shipment earnings during the July-May period showcased a 4.32 per cent year-on-year growth to $562.40 billion, the amount was mainly against garments shipped before the start of the war.

In the July-May period of last fiscal year, earnings from apparel shipments to the Russian market stood at $539.10 million, according to data from the Export Promotion Bureau (EPB).

Exporters said the shipments of garment items declined to Russia after the beginning of the war mainly for two important reasons.

Firstly, many goods-carrying ships were stuck in associated ports in the beginning of the war. Secondly, when the SWIFT ban against Russian banks came into effect, the local exporters were in a quagmire as to how they could receive payments.

As a result, they did not manufacture goods for future shipments, although work orders had been placed earlier.

So, garment export to Russia is going through a downward trend over the last three to four months.

However, the exporters are saying that shipments would rebound soon for the restoration of formal shipping channels and arrangements for local exporters to receive payments in Chinese currency.

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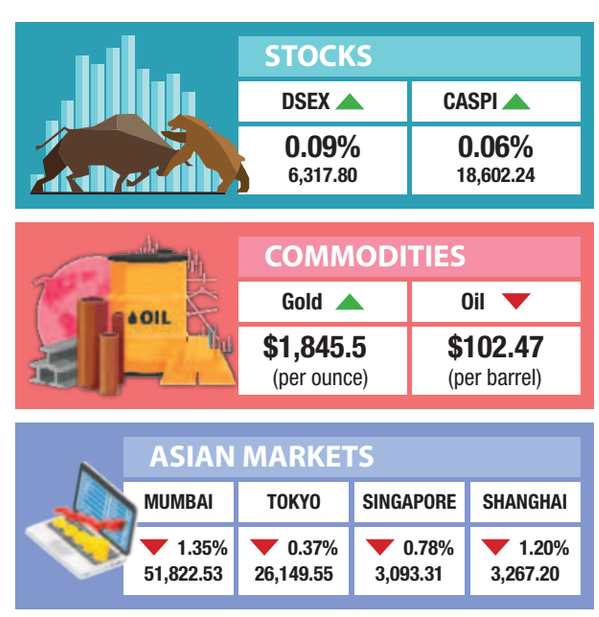

FUND FOR WORKERS

FICCI opposes tax on contribution

STAR BUSINESS REPORT

The Foreign Investors' Chamber of Commerce and Industry (FICCI) yesterday expressed concerns over a provision in the proposed national budget for fiscal year 2022-23 that would require companies to pay tax on their contributions towards the Workers' Profit Participation Fund (WPPF).

The measure would increase the income tax burden and similarly raise the effective tax rate on all companies as contributions towards the WPPF are statutory payments for the benefit of employees, which are paid from pre-tax profit as per the law, said the chamber.

However, it has been proposed to consider WPPF contributions as inadmissible expenses based on the idea that they are appropriations of profit after tax, such as dividends, according to FICCI.

"The benefits of a potentially business-friendly national budget could unravel unless some of the provisions are reversed," FICCI said while sharing its budget reaction at the Hotel Sheraton in Dhaka.

"Such an imposition is inconsistent with the tax-friendly environment the government has been trying to build over the years and a diversion from the current provisions of the Labour Act," it added.

To address the issue, FICCI recommended that allocations for the fund should be considered

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