



BB moves to ensure finance for small business clusters

STAR BUSINESS REPORT

With an aim to facilitate increased access to finance for micro, small and medium enterprises operating in clusters, Bangladesh Bank yesterday asked banks to lend to 19 types of clusters giving the highest priority to agricultural processing, manufacture of agricultural machinery, garments and ICT.

It also directed banks to give the highest priority to clusters of leather and leather goods makers, light engineering and jute and jute goods, according to a circular.

The Bangladesh Bank move comes as small and medium firms operating in clusters are not getting adequate attention of bankers although the firms need the finance to grow and compete in the domestic and export markets.

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And the gap in lending to small businesses prevails as there is no definite definition of clusters of the SMEs.

In its circular yesterday, Bangladesh Bank said an area would be considered a cluster if there are 50 or more firms producing homogenous or related products and services in a 5-kilometre radius.

The central bank categorised clusters in two types -- most priority clusters and priority clusters -- and directed banks and financial institutions to fix targets to lend at least 10 per cent of their total net loans to the SMEs of the clusters in 2022.

The ratio of financing to SME clusters has to be increased by one percentage point every year to take the total to 12 per cent by 2024, it said.

Of that half of the loans must go for priority clusters that also include plastic and other synthetic industry, tourism, home textile, solar power system, automobiles, handloom

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Workers are loading ice blocks onto a pickup van from a factory in the Fishery Ghat area in the port city yesterday. The demand for ice, which is needed to preserve and transport fish, has risen in the peak fishing season. However, the ongoing power outage is hampering production, which, in fact, halves when load-shedding for as long as three hours is enforced.

PHOTO: RAJIB RAIHAN

BB asks banks to set rational dollar spread

Move comes as banks rake in profit up to Tk 16 per USD

STAR BUSINESS REPORT

The Bangladesh Bank yesterday ordered banks to set a rational spread between the buying and selling rate of the US dollar after it unearthed that some banks are involved in manipulation to benefit from the shortage of the greenback.

The move is aimed at preventing banks from selling dollars quoting a higher rate to importers than the price offered to exporters. A spread refers to the difference between the buying and the selling rates.

Currently, banks sell a US dollar for up to Tk 108 to importers although they purchase the greenback at Tk 94 from exporters. This means the spread is Tk 16.

The BB took the decision at a meeting with the Bangladesh Association of Bankers, a platform of managing directors of banks, and the Bangladesh Foreign Exchange Dealers' Association (Bafeda), a platform of banks that frame rules for inter-bank foreign exchange business in discussion with the BB.

The meeting was held at the BB headquarters in the capital.

As per existing norms, the spread of the buying and selling rate of dollars is a maximum of Tk 1, but banks have hardly followed the rule since April after volatility hit the market, fuelled by a sharp increase in import bills.

"Banks have been asked to gain a certain profit from the buying and selling of dollars," Md Serajul Islam, spokesperson of the BB, told reporters after the meeting.

Md Ataur Rahman Prodhan, chairman of the Bafeda, said both ABB and Bafeda would hold a meeting soon to take a decision to this effect.

Then, the BB will examine whether the spread would be helpful for the market, said a central banker, seeking anonymity.

Banks have been asked to submit their data on the buying and selling rates of dollars, said Serajul.

Currently, banks sell a US dollar for up to Tk 108 to importers although they purchase the greenback at Tk 94 from exporters. This means the spread is Tk 16

"We will take measures against the banks that will sell dollars to importers at an excessive rate and buy it at a lower rate from exporters," Islam said, adding that the central bank is now constantly monitoring the market.

A huge gap between the buying and the selling rates of US dollars in the banking system came to light last week after the BB instructed six banks to remove their head of treasury departments as they helped their employers to gain excessive profit by taking advantage of the ongoing volatility in the forex market.

Exporters, importers and business leaders, however, had publicly accused banks of making excessive profits much before the BB

action.

Higher imports sent the reserves below \$40 billion compared to more than \$48 billion in August last year as export receipts and remittance flows have failed to plug the gap. This pushed the exchange rate of the US dollar to as high as Tk 112 in the interbank foreign exchange market.

In the kerb market, the rate even rose to Tk 118 per USD recently.

The record US dollar price is proving costlier for the economy since import costs have gone up, fanning inflation, which rose to a nine-year high in the last fiscal year that ended in June.

As a result, the people, particularly the poor and the lower-income groups, have been dealt with a massive blow since they are being forced to pay higher prices for everything they consume and use as the government raised fuel prices sharply twice in nine months as well as the fertiliser price to prevent the reserves from depleting further.

"Banks made a promise that they would play an effective role in restoring the stability in the market," said Serajul.

Banks have also been asked to bring in the export proceeds from abroad and convert them into cash in the shortest possible of time to reduce the ongoing pressure in the market.

Serajul informed the opening of letters of credit had decreased by nearly \$1 billion in the first 11 days of August compared to the same period a year ago.

"This will help the market restore stability in the banking sector," he said.

Entrepreneurs demand fuel price cut

STAR BUSINESS REPORT

Entrepreneurs yesterday urged the government to cut fuel prices, saying the unprecedented spike in the rates of petroleum products is hurting businesses and will go on to hamper job creation and hit the whole economy.

The appeal, which was made at an event organised by the Dhaka Chamber of Commerce & Industry (DCCI) in the capital, came less than two weeks after the government raised the fuel prices by up to 51.7 per cent in order to pass their higher global prices on to the public, the second hike in nine months.

"In many ways, diesel is an essential commodity, so its rise is proving costly for the economy," said Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association.

"At a time when the fuel price is falling in the international market, such a huge price hike has stunned us," he said, calling on the government to adjust the fuel price every three months in line with international prices.

Hatem pointed out that industries in many areas, including Narayanganj, are getting an inadequate supply of gas which is hampering production.

"At a time when the fuel price is falling in the international market, such a huge price hike has stunned us," said Mohammad Hatem, executive president of BKMEA

Industries are facing a lower pressure of gas exacerbated by inadequate supply amid the government's decision not to buy liquefied natural gas from the international market and inadequate local production.

"Additional costs in the supply chain needs to be lessened to control food inflation," said DCCI President Rizwan Rahman, adding that international market and price dynamics need to be monitored to avoid irrelevant price shock.

"Essential commodities supply through the Trading Corporation of Bangladesh needs to be expanded outside Dhaka."

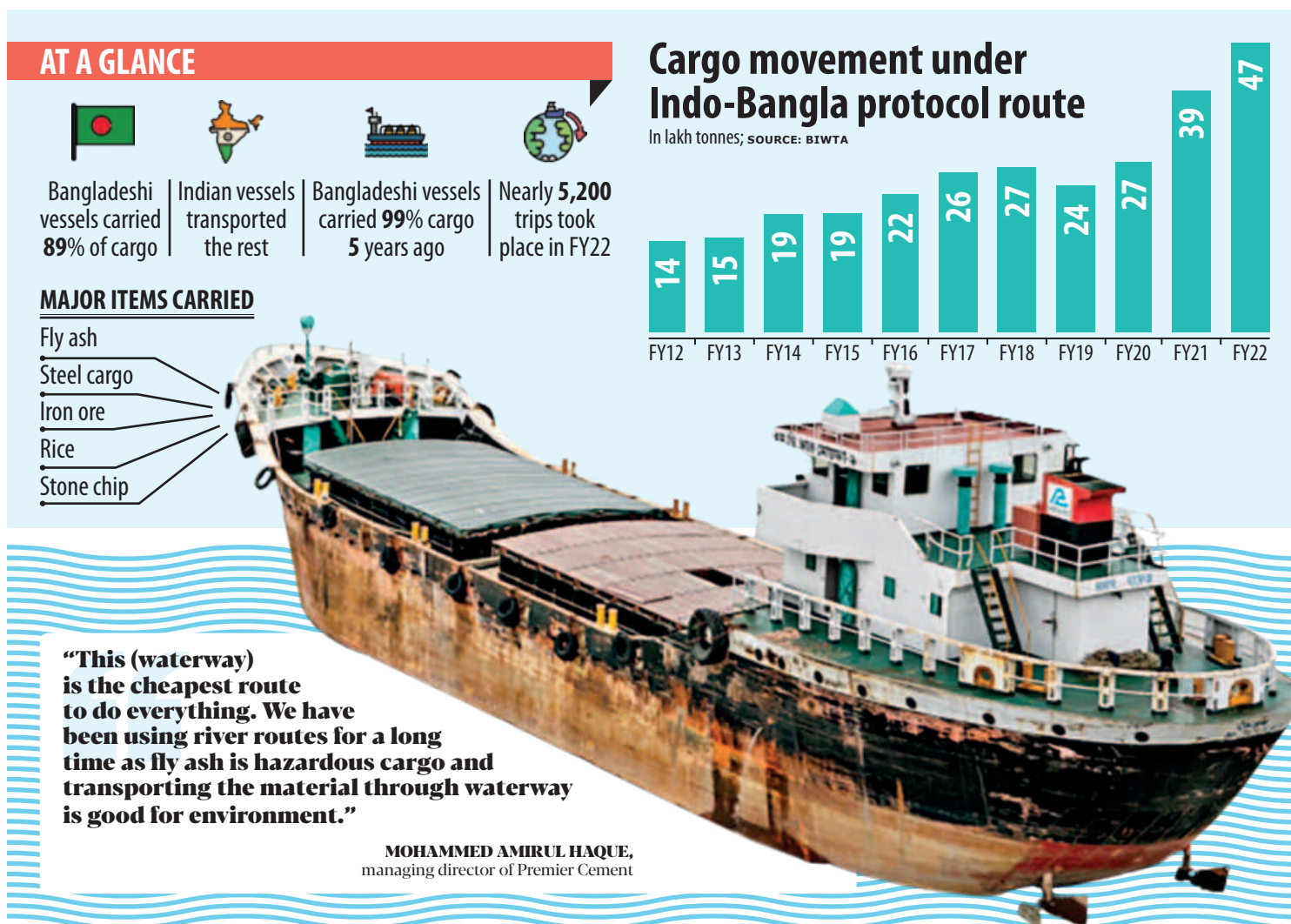
Rahman suggested ensuring a flexible interest rate regime to reduce inflationary pressure and

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STOCKS			
	DSEX ▲	CASPI ▲	
	0.43%	0.24%	
	6,175.23	18,171.30	

COMMODITIES			
	Gold ▲	Oil ▼	AS OF FRIDAY
	\$1,801.89	\$91.82	
	(per ounce)	(per barrel)	

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 0.22%	▲ 2.62%	▼ 0.99%	▼ 0.15%
	59,462.78	28,546.98	3,269.27	3,276.89



INDO-BANGLA TRADE

Cargo movement rises thru waterways

SOHEL PARVEZ

Cargo movement through waterways between Bangladesh and India rose to a new height in fiscal year 2021-22 as local entrepreneurs, particularly cement makers, found the river routes convenient to bring their raw materials, mainly fly ash, from the neighbouring country.

During fiscal year 2021-22, vessels carried 20 per cent more cargo to 47.4 lakh tonnes, the highest since fiscal year 2001-02, from that a year ago, according to data of Bangladesh Inland Water Transport Authority (BIWTA).

In other words, cargo movement on river routes of Bangladesh and India nearly doubled in four years from 24 lakh tonnes in fiscal year 2018-19 thanks to increased production of cement to meet a surge in demand for construction of mega public projects and private buildings.

During last fiscal year, Bangladeshi vessels carried 42.18 lakh tonnes while Indian vessels carried 5.22 lakh tonnes.

This is the third consecutive year cargo movement through waterways between India and Bangladesh has been growing.

The outbreak of Covid-19 in 2020, convenience and relatively lower cost than road encouraged many businesses to prefer waterways to transport their goods, mainly imports from India, under a Protocol on Inland Water Transit & Trade between Bangladesh and India (PIWT&T) signed in 1972.

Both the neighbouring nations inked the agreement to make mutually beneficial arrangements for the use of their waterways for commerce between the two countries and for passage of goods between two places in one country and to third countries through the territory of the other under the terms mutually agreed upon, according to the BIWTA.

"This (waterway) is the cheapest route to do everything. We have been using river routes for a long time as fly ash is hazardous cargo and transporting the material through waterway is good for environment," said Mohammed Amirul Haque, managing director of Premier Cement.

The cement maker brings imported fly ash using the routes under the PIWT&T. It also exported cement to Tripura, a northeastern state of India, in 2020.

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