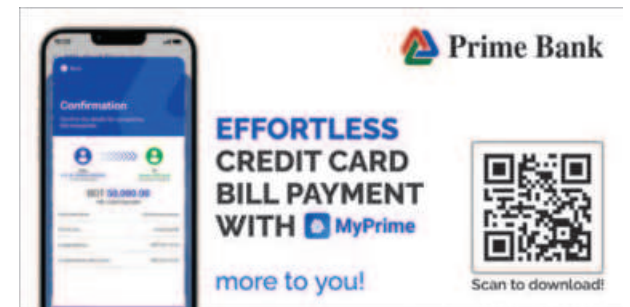


Star BUSINESS



(From left) Syed Javed Noor, deputy managing director of IDLC Finance, Ahmed Shaheen, additional managing director of Eastern Bank, Emranul Huq, managing director of Dhaka Bank, Humaira Azam, managing director of Trust Bank, Anis A Khan, former managing director of Mutual Trust Bank, Mahfuz Anam, editor and publisher of The Daily Star, Kamal Quadir, chief executive officer of bKash, Syed Mahbubur Rahman, managing director of Mutual Trust Bank, Syed Mohammad Kamal, country manager of Mastercard, Mamoon Mahmud Shah, managing director of NRB Bank, and Tanvir A Mishuk, managing director of Nagad, at a roundtable styled "Current Challenges in the Financial Sector: Way Forward" organised by The Daily Star at its office in Dhaka yesterday.

PHOTO: STAR

BANGLADESH ECONOMY

Not in crisis but under stress

Top brass in financial sector suggest ways out of the trouble

STAR BUSINESS REPORT

Bangladesh's economy is experiencing stress because of the pressure on the foreign exchange reserves, but the situation is not as alarming as many think, said top brass in the financial sector yesterday.

Still, policy-makers and all other stakeholders should work judiciously to help the country ride out the current situation, they said at a roundtable styled "Current Challenges in the Financial Sector: Way Forward" organised by The Daily Star at its office in Dhaka.

They called for strengthening corporate governance in the financial institutions and taking sustainable measures to bring remittances and foreign direct investments to solidify the foundation of the economy.

"There is no need to panic and all stakeholders should work together to resolve the ongoing pressure on the economy," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

He said that the central bank had purchased a record volume of US dollars from banks in the fiscal year of 2020-21, injecting a hefty amount of money.

The Bangladesh Bank has been supplying dollars to banks since the beginning of the last fiscal year, creating a liquidity crunch.

As a result, the interest rate on fixed deposits has recently gone up to 6-7 per cent in contrast to 2.5-3 per cent during the height of the pandemic, he said.

The liquidity crunch will intensify competition among banks to collect deposits,

Rahman warned.

According to the banker, banks' profit from their core businesses such as lending has declined, a development that usually sends a negative signal to foreign corresponding banks about local lenders.

Managing income from foreign exchange businesses is not considered core profit, he said.

He said banks are mobilising US dollars in the form of remittance from foreign exchange houses quoting Tk 110-Tk 111 per USD in a bid to meet their needs.

corporations independently.

Khan suggested the central bank draw up monetary policy every three months instead of six, in view of inflation.

Emranul Huq, managing director of Dhaka Bank, said the government has taken a number of measures, especially aimed at power and energy savings.

"A liquidity crunch has created along with the dollar shortage."

Humaira Azam, managing director of Trust Bank, thinks it is very important that Bangladesh attracts foreign portfolio investment and foreign investment.

"This should be priority," she said, calling the current volatility in the foreign exchange market as temporary.

The first female CEO of any commercial bank in Bangladesh, Humaira stressed increasing tax collection.

"This a high time we needed to go to the taxpayers. A large number of people has remained out of the tax net despite having taxable income."

She emphasised attracting remittance through formal channel.

"A long term incentive mechanism should be considered for remitters so that they feel inspired. The existing 2.5 per cent incentive would not be able to lure many migrant workers for a long time."

"Providing long-term educational support to the children of migrant workers can be considered. We have to have a long-term lucrative package to attract remittance."

Mamoon Mahmud Shah, managing director of NRB Bank, said: "The current problem appears to be short-term and we can

overcome it."

He cited the low recovery of loans and non-performing loans as challenges.

Banks will have to hike the deposit rate in line with inflation, which rose to a nine-year high in June, to comply with the Bangladesh Bank directive that the interest rate on deposits should not be below inflation.

"Higher inflation is also affecting the deposit collection for banks as savers have encashed 35 per cent of their fixed deposits. The market is getting dry and the lending is getting lesser lucrative and profitable."

Kamal Quadir, chief executive officer of bKash Ltd, said mobile financial services are bringing funds from millions of people into the formal channel.

"We monitor domestic money transfers and we have not seen any kind of downward moves when it comes to transactions," he said, while speaking about the current situation.

He said the expansion of MFS has benefited Bangladesh.

"Today, Bangladesh has the capacity to allocate resources to any of its parts within a minute."

Remitters receive more than Tk 10 per USD if they send money through the informal channel rather than the formal channel, and the gap can't be narrowed by the government's efforts alone, said Tanvir A Mishuk, managing director of Nagad.

He suggested taking steps to enhance remittance earnings through the formal channel and put an end to hundi.

"In order to give the scope to the government to continue development works, the tax net should be widened," he said.

READ MORE ON B3

DOLLAR-TAKA

Market to dictate exchange rate once situation improves

Says BB governor

STAR BUSINESS REPORT

The market will determine the price of the US dollar in the future once the current situation centring it improves, according to Bangladesh Bank Governor Abdur Rouf Talukder.

"We want a market-based dollar price and we will move towards it gradually," he said.

So, at one point the Bangladesh Foreign Exchange Dealers Association will take responsibility to set its rate with the taka, Talukder added.

The rate has been controlled by Bangladesh Bank for years but recent instability in the foreign exchange market has forced the central bank to substantially depreciate the local currency.

The Bangladesh Bank governor went on to say the rate depends on short-term inflows of remittance and export earnings and outflows of import spending. If there is a balance in the inflow and outflow, the rate becomes stable.

"We think the market is getting better," he said.

Talukder was responding to queries from journalists on the sidelines of the 9th Annual Banking Conference organised by the Bangladesh Institute of Bank Management (BIBM) at its premises in Dhaka.

"We want a market-based dollar price and we will move towards it gradually."

ABDUR ROUF TALUKDER
Bangladesh Bank governor

He believes that a little bit of patience is needed if one wants to see the rate and inflation come down as fuel prices are still high in the international market.

"Patience is needed. If you tap one side, problems arise on the other. The current inflation is an import-induced one. The price of fuel dropped slightly, now it is rising again," Talukder said.

"As we meet 100 per cent of fuel demand with imports, it must impact inflation. Similarly, we also import fertiliser and the price of it is high. There is a shortage of wheat and we are trying to increase the import," he added.

However, Talukder did say there have been developments on this front.

"The World Bank says there is no possibility of a food shortage in Bangladesh while the International Monetary Fund says we don't need a bailout, which you [journalists] don't believe," he said.

He then said the credit rating agency Standard and Poor's recently maintained its long-term positive forecast for Bangladesh.

"So, the economy is on good course," the central bank governor said.

Banks should maintain ethical standards and morality while making a profit, said Talukder.

"Commercial banks must earn profits with their activities and in doing business, but one thing we shouldn't forget is that

READ MORE ON B3

Liquid milk prices rise again

Higher input costs to blame

SUKANTA HALDER and AHMED HUMAYUN KABIR TOPU

The price of liquid milk has again increased by Tk 10 per litre while half litre packs will now cost Tk 5 more as leading producers have raised the maximum retail price of their products by 12.5 per cent.

According to retailers in Dhaka city, liquid milk products of Aarong Dairy, a brand of Brac Enterprises, as well as that of Pran and Akij Group's Farm Fresh have increased to Tk 90 per litre from Tk 80 previously.

Similarly, the price of half litre packs of those companies has risen to Tk 50 from Tk 45. On the other hand, the state-run Milk Vita has yet to review its prices but retailers warn that it may happen soon.

An official of Aarong Dairy said that higher input costs, including that of animal feed, transportation and packaging, has inflated liquid milk prices in different areas of the capital.

However, consumers say the rising cost of essential commodities coupled with higher milk prices is putting extra pressure on them at a time when most are still recovering from the fallouts of Covid-19.

Nurul Alam Shikdar, a retailer in the Pallabi Extension area of Mirpur, said the new hike in liquid milk prices was effective from August 23.

Earlier in May, the price of liquid milk rose by Tk 10 per litre while half litre packs saw a Tk 5-7 bump with Aarong Dairy being the first to take the initiative.

Mohammad Anisur Rahman, senior director of BRAC Enterprises, yesterday said that due to the increase in

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Dairy farmers are seen waiting for wholesale buyers at the Arkandi Bazar in Faridpur upazila of Pabna. Despite being ready with large pails of raw milk, they have been unable to secure adequate profits this year due to rising input costs.

PHOTO: AHMED HUMAYUN KABIR TOPU

STOCKS		WEEK-ON-WEEK
DSEX ▲	CASPI ▲	
1.82%	1.48%	
6,355.07	18,642.96	

COMMODITIES		AS OF FRIDAY
Gold ▼	Oil ▼	
\$1,738.1	\$93.01	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.10%	▲ 0.57%	▲ 0.05%	▼ 0.31%	
58,833.87	28,641.38	3,249.53	3,236.22	