



Private sector credit growth rises

MD FAZLUR RAHMAN

Private sector credit growth rose to 13.97 per cent in November to near the central bank's target for the ongoing financial year owing to cheaper loans, a development that may stoke inflationary pressures.

The Bangladesh Bank has aimed a 14.1 per cent credit expansion for 2022-23, which began in July.

The growth surged to 14.07 per cent in August before falling to 13.93 per cent in September and 13.91 per cent in October as banks' capacity to disburse loans eroded due to the ongoing stress in the foreign exchange market.

Some banks are purchasing American greenbacks almost every day from the central bank in exchange for the taka to clear import bills, so the majority of lenders are witnessing a shortage of loanable funds.

Bangladesh Bank has aimed a 14.1 per cent credit expansion for 2022-23, which began in July

But a recent report of the central bank blamed the unprecedented depreciation of the taka against the US dollar for the increase in the private sector credit growth at higher rates in recent times.

The taka lost its value by up to 21 per cent in November compared to a year earlier owing to the depletion of the foreign currency reserves.

Reining in inflation is needed for Bangladesh in order to contain higher consumer prices.

Inflation surged to a 10-year high of 9.52 per cent in August before easing to 8.71 per cent in December.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said since the real lending rate has become zero owing to the 9 per cent interest cap on loans amid escalated inflation, there has been a pickup in demand for funds from borrowers.

The central bank has maintained the interest rate ceiling since April 2020.



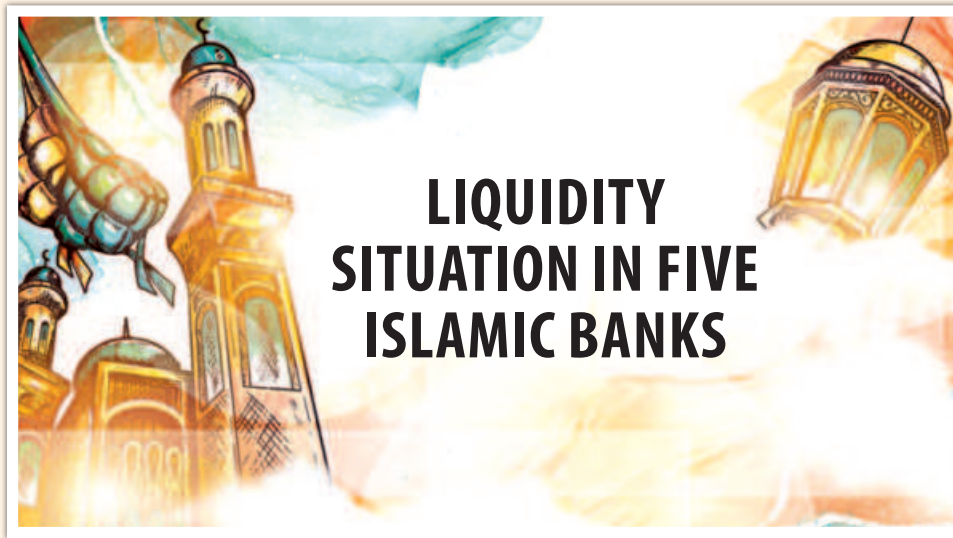
Islami Bank Bangladesh
Faced CRR shortfall on 24 days in Nov-Dec
CRR shortfall: Tk **5,101** cr on Dec 28
BB offered support of Tk **8,000** cr



First Security Islami Bank
Faced CRR shortfall on 30 days in Nov-Dec
CRR shortfall: Tk **1,500** cr on Dec 28
BB offered support of Tk **3,125** cr



Social Islami Bank
Faced CRR shortfall on 30 days in Nov-Dec
CRR shortfall: Tk **899** cr on Dec 28
BB provided support of Tk **1,500** cr



Cash Reserve Ratio (CRR) is a portion of bank deposit kept in cash with BB to protect depositors' interest



Union Bank
Faced CRR shortfall on 18 days in Nov-Dec
CRR shortfall: Tk **526** cr on Dec 28
BB provided support of Tk **1,465** cr



Global Islami Bank
Faced CRR shortfall on 7 days in Dec
CRR shortfall: Tk **107** cr on Dec 28
BB offered support of Tk **700** cr

DRESSING UP BALANCE SHEETS

Four more Islamic banks take BB emergency loans

AKM ZAMIR UDDIN

Four more shariah-based banks have been found to have taken emergency funds, which are usually taken during extraordinary circumstances, in an attempt at dressing up their balance sheet for last year.

Named "lender of the last resort", the facility has allowed the banks to borrow from Bangladesh Bank (BB) at 8.75 per cent interest.

The four — First Security Islami Bank, Social Islami Bank, Union Bank and Global Islami Bank — took Tk 6,790 crore on December 29.

Earlier, information could be availed of Islamic Bank Bangladesh, the country's top largest private lender in terms of deposit and credit, having taken Tk 8,000 crore under the arrangement on the same day.

This means the five collectively took Tk 14,790 crore from the BB. In practice, shariah-based banks do not borrow money by offering interest, rather they provide "profits" on the amount.

But the five banks have been forced to do so owing to their cash reserve ratio (CRR) falling short of the central bank-stipulated rate for an acute liquidity crisis.

The CRR is a portion of the

bank's deposits that it must keep with the central bank in cash to protect depositors' interests. In Bangladesh, the CRR is 4 per cent.

The collective shortfall of the five banks stood at Tk 8,133 crore on December 28.



In exchange for the funds, the lenders presented a "demand promissory note", which is a legal instrument in which the issuer guarantees to pay a specific sum of money within an agreed time.

The BB usually accepts a demand promissory note when any bank does not have available bills and bonds to provide as collateral.

"The central bank is considered the lender of the last resort, which is why it provided the funds to the banks due to their CRR shortfall," said Md Mezbahul Haque, spokesperson of

Bangladesh Bank.

Shariah principles do not allow Islamic banks to use most of the traditional windows of the central bank for availing funds, which is why the lenders have taken the fund under the arrangement of the lender of the last resort.

taken the fund for a night in order to keep its balance sheet strong at the end of the year.

"We do not have any major problem. And the financial health of the bank is quite good," he said. Managing directors of the three other banks, however, did not respond to The Daily Star's requests for comment.

Islami Bank Bangladesh took the highest amount from the emergency funds, followed by First Security Islami Bank (Tk 3,125 crore), Social Islami Bank (Tk 1,500 crore), Union Bank (Tk 1,465 crore) and Global Islami Bank (Tk 700 crore), according to the BB documents.

The central bank is investigating allegations of gross irregularities at Islami Bank Bangladesh over the disbursement of loans amounting to Tk 7,246 crore among nine companies last year.

Reports about the investigation's initiation led to a confidence crisis of depositors of the five banks, all of which have Chatogram-based business conglomerate S Alam Group well-represented in their boards.

This compelled the five to take liquidity support of Tk 5,250 crore from the BB last month under another "Islamic Bank Liquidity Facility".

When fences eat crops

UFS Asset Management swindles Tk 158cr; auditors, custodian blame each other

AHSAN HABIB

In another financial felony in Bangladesh, UFS Asset Management has embezzled Tk 158 crore in investors' funds, according to a probe of the stock market regulator.

People keep their funds with asset management companies, which make investments based on their research with a view to generating a profit and sharing it with investors in the form of dividends.

But the Bangladesh Securities and Exchange Commission (BSEC) has found that UFS Asset Management swindled around Tk 158 crore from its four open ended mutual funds.

Mutual funds pool money from investors to channel them into securities such as stocks and bonds. Open-ended mutual funds are not listed with the stock market but one can buy and sell them at a fund manager's office.

In June, the stock market regulator formed an inspection team to probe irregularities at UFS's five mutual funds.

The committee found that the asset manager swindled funds from its four mutual funds: UFS-IBBL Shariah Unit Fund, UFS Popular Life Unit Fund, UFS Bank Asia Unit Fund, and UFS Padma Life Islamic Unit Fund.

Of the missing sum, Tk 125 crore was embezzled from the cash and fixed deposits of the mutual funds and the rest from its interest income and by overcharging management fees, it said.

"UFS management deliberately pulled out funds by manipulating the financial statements of the mutual funds. It falsely stated cash and cash equivalent assets, investment in FDRs and mudaraba term deposits and interest income."

The asset management company violated securities rules by submitting erroneous information and making fake FDRs (fixed deposit receipts) and mudaraba term deposits, the report said.

The firm was also found to be doctoring the calculation of net asset values and the sale and purchase prices of mutual fund units by showing fake assets, not uploading financial statements on its website and not submitting financial statements to the BSEC.

The fund manager confessed to a mismatch of Tk 107.93 crore during an inspection on August 21 and pledged to return 50 per cent of the missing amount by September 30, 2022, and the rest by October 30, 2022.

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STOCKS	
DSEX ▼	CASPI ▼
0.28%	0.19%
6,177.87	18,258.72

COMMODITIES	
Gold ▲	Oil ▲
\$1,826.12	\$80.53
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.54%	Flat	▲ 0.06%	▲ 0.51%
61,167.79	26,094.50	3,251.32	3,089.26

Inflation falls for 4th month

Yet consumers forced to curtail costs

MD ASADUZ ZAMAN and SUKANTA HALDER

Although the inflation rate in Bangladesh has maintained a downward trend for the past four months, it is still high enough to affect those living in the middle-income category and below, experts say.

Inflation stood at 8.71 per cent in December last year, down 14 basis points from the month before, according to data from the Bangladesh Bureau of Statistics (BBS) released yesterday.

Besides, non food inflation in rural areas fell slightly to 10.29 per cent from 10.31 per cent at the same time to remain in double digits for the second month in a row.

Overall inflation in the country had come down to 8.85 per cent last November after surging to a 10-year high of 9.52 per cent earlier in August.

With December, monthly wage growth has remained below the inflation rate for 11 consecutive months, indicating a worsening poverty situation as many people are being forced to reduce consumption in the face of falling real income.

Last month, the wages of unskilled workers grew 7.03 per cent, which was 1.68 percentage points below the average inflation rate at the time.

And even though food inflation declined to 7.91 per cent in December from 8.14 per cent the previous month, consumers still had to spend more on buying non-food items.

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Shoes failing to meet export criteria end up in the hands of hawkers who then sell those at substantially low prices. The photo was taken on the footpath opposite Bashundhara City shopping mall in the capital recently.

PHOTO: PALASH KHAN

NBR receives 28.51 lakh tax returns so far

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has received 28.51 lakh tax returns from individual taxpayers until January 1, the final day for filing income and wealth statements for fiscal year 2022-23 without any penalty, officials said yesterday.

The number of returns was 10 per cent higher than the total of 25.9 lakh filed in fiscal year 2021-22, according to NBR data.

Of the returns filed, 2.07 lakh were submitted online, up more than three times from 61,000 the previous year.

The NBR received over Tk 4,000 crore as taxes through returns filed by individual taxpayers at its field offices, said Mohammad Jahid Hasan, member of tax information management and services at the NBR.

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