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BUSINESS

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SCAN FOR DETAILS

Bangladesh a ‘true global champion’ World Bank says



Abdoulaye Seck

BSS, Dhaka

New World Bank Country Director to Bangladesh and Bhutan Abdoulaye Seck yesterday lauded the economic development of Bangladesh over the years and termed the country as a ‘true global champion’ on various fronts such as GDP growth, poverty alleviation, and women empowerment.

The newly appointed World Bank country director said this when he made a courtesy call on Finance Minister AHM Mustafa Kamal at his secretariat office yesterday,

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Tk 25 lakh fine imposed for stocks manipulation

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) has fined one Md Louthful Goni Tito and his company Shatrong Agro Fisheries Tk 25 lakh for manipulating stock prices of Global Insurance through serial trading.

Serial trading is buying and selling of shares among the same beneficiary accounts in order to impact the share price.

Dhaka Stock Exchange ran an investigation between August 1 and August 21 in 2019. It found that of all the trade conducted of Global Insurance shares during the period, 54.39 per cent was by Tito, his spouse Shammi Neawaz and their company.

They bought and sold among themselves to raise the stock price, which is a clear breach of securities rules, said the DSE.

Tito and his associates gained around Tk 1.86 crore from the manipulation.

Following the DSE’s findings, the BSEC took into account statements of the manipulators and then decided to impose the fine.

INTERBANK SHORT-TERM LENDING RATES, IN %

	Jan 10, 2022	Jan 10, 2023
1-day	2.2	6.8
7-day	2.87	7.80
14-day	4	10
91-day	6.50	8

WHY THE RATES ARE INCREASING



Banks are in a liquidity crunch



Some of the lenders facing a CRR shortage




Confidence crisis in banks




Dollar shortage

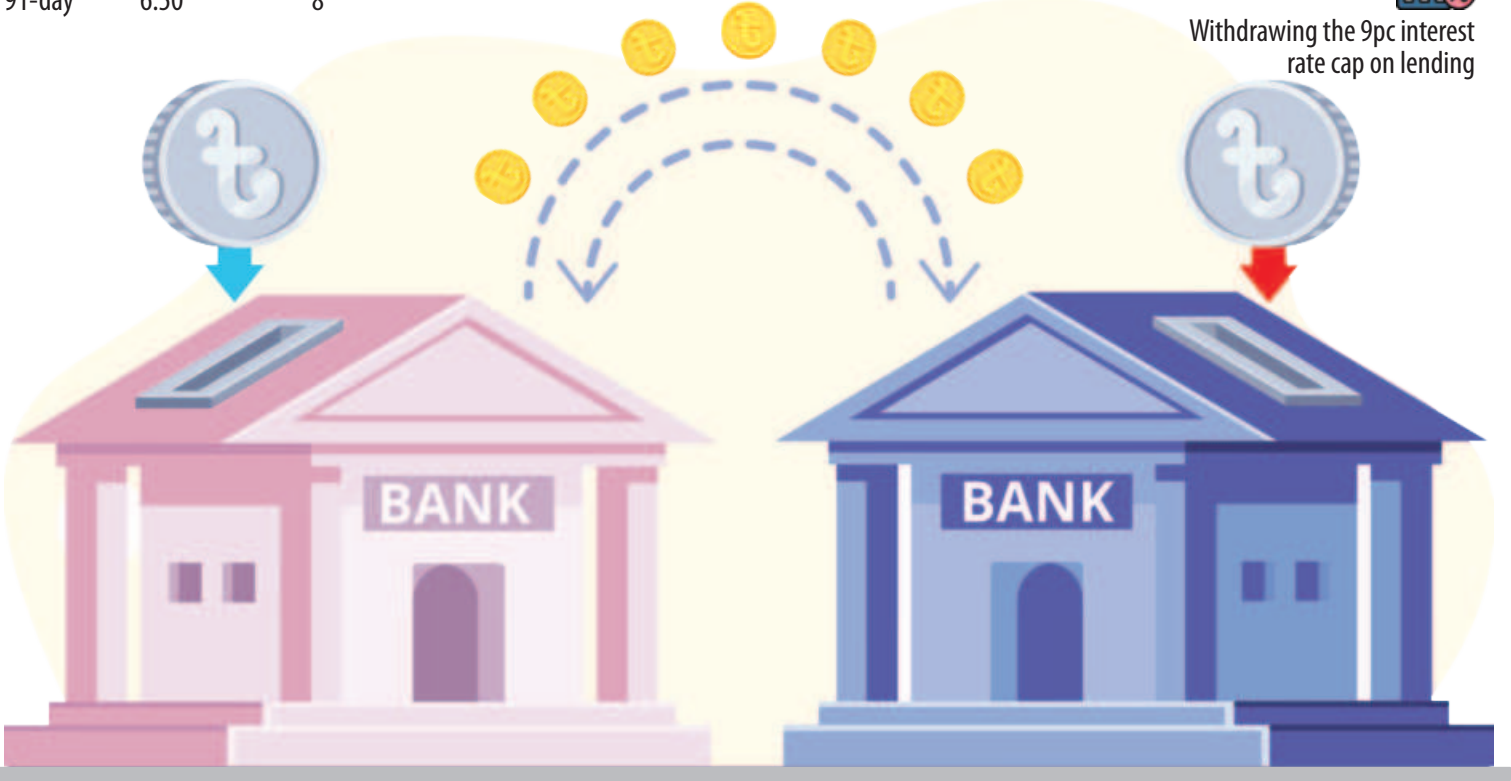
WHAT CAN BE DONE



Strengthening corporate governance in banks



Withdrawing the 9pc interest rate cap on lending



Interbank lending rate goes past 9% cap for liquidity crunch

AKM ZAMIR UDDIN

Cash-strapped banks are borrowing from cash-rich lenders paying more than 9 per cent in interest rate, which is above a cap set by the central bank, as an unprecedented liquidity crunch has hit the banking sector of Bangladesh.

Some lenders have recently faced a cash reserve ratio (CRR) shortage, forcing them to secure funds at a higher interest rate from others.

For example, a bank yesterday took a loan amounting to Tk 15 crore, the maturity of which is 14 days, at a 10 per cent interest rate. A similar loan would cost 4 per cent a year earlier.

Another lender obtained a loan of Tk 120 crore at 9.25 per cent interest on Monday, with a repayment period of 90 days. The lending rate was 4.25 per cent the year before.

Banks turn to the interbank money market for short-term funds in order to meet their day-to-day financial needs.

“The existing liquidity

crunch in the banking sector is unprecedented,” said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The interest rate in the interbank money market in

money market,” said Mansur, also a former economist of the International Monetary Fund.

Some banks are now in trouble stemming from the liquidity shortage, creating a shortfall in their CRR, which is a portion of a



Bangladesh usually shoots up in the run-up to Eid-ul-Fitr and Eid-ul-Azha, the two largest religious festivals for Muslims in Bangladesh, as people withdraw funds from the banking system to meet a rise in expenses.

“Banks are now facing such a situation and there is no sign that the rates would go down soon. Our banking sector hardly faces such turbulence in the

bank’s deposits that it must keep in liquid cash with the central bank to protect depositors’ interest.

In Bangladesh, the CRR is 4 per cent.

Under such a situation, banks are now trying to mobilise funds desperately to maintain their required CRR. Otherwise, they will face penalties.

The BB has recently injected a large volume of funds into some

cash-strapped banks, helping them maintain the CRR.

In addition, the central bank has injected around \$7.50 billion into the banking sector to help banks clear import bills amid a shortage of dollars. Banks have bought the greenback in exchange for the taka which has dried up the liquidity base.

The central bank has been offering deferral support for loan repayment since 2020, helping borrowers tackle the business slowdown emanating from the coronavirus pandemic. But banks have not got back their most funds from borrowers on time owing to the facility, which has contributed to deepening the liquidity crunch.

“The higher interest rate in the interbank money market will erode the profit base of banks to a large extent,” said Mansur.

In Bangladesh, banks are not allowed to charge more than 9 per cent in interest on loans except for credit cards, as the central bank has maintained the ceiling since April 2020.

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IMPORT OF ESSENTIALS

Miga offers up to \$1b guarantee to Bangladesh

STAR BUSINESS REPORT

The commerce ministry is awaiting a decision from the central bank and the finance ministry on using \$500 million to \$1 billion of foreign loans to import essential commodities on the back of a guarantee from the Multilateral Investment Guarantee Agency (Miga).

The Miga is a member of the World Bank Group and its mandate is to promote cross-border investment in developing countries by providing guarantees (political risk insurance and credit enhancement) to investors and lenders.

In a letter to the BB and the finance ministry recently, the World Bank Group arm offered to become a guarantor for the import of essential commodities worth \$500 million to \$1 billion.

“As far as I know, the Miga has sent a letter to the central bank and the finance ministry expressing its interest to be a guarantor to facilitate the import of essential goods,” Senior Commerce Secretary Tapan Kanti Ghosh told The Daily Star yesterday.

Multilateral Investment Guarantee Agency (Miga) is a member of the World Bank Group and its mandate is to promote cross-border investment in developing countries by providing guarantees

How the funds would be used and disbursed are yet to be decided. “The discussion is at a very primary level now,” Ghosh said.

The issue is being discussed among the officials of the Miga, the BB and the finance ministry. “The final decision will come from the central bank and the finance ministry,” said the senior secretary.


Once the decision is made, the commerce ministry will move for the imports of essential commodities using the guarantee.

Md Mezbaul Haque, the spokesperson of the Bangladesh Bank, no decision had been taken about the issue yet.


The development comes amid the falling foreign currency reserves of Bangladesh, which threatens to hurt the supply of essentials in the local market.

The reserves have been declining steadily since the Russia-Ukraine war erupted as it has sent the prices of commodities higher. As a result, Bangladesh has to pay more to buy essentials from external sources but export earnings and remittance receipts have not gone up proportionately.


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STOCKS	
DSEX ▲	CASPI ▲
0.22% 6,205.27	0.25% 18,347.49



COMMODITIES	
Gold ▲	Oil ▲
\$1,875.92 (per ounce)	\$75.23 (per barrel)



ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.04% 60,115.48	▲ 0.78% 26,175.56	▼ 1.29% 3,262.91	▼ 0.21% 3,169.51

VAT PAYMENT

SC disposes of 13 appeals of telcos

STAR BUSINESS REPORT

The Appellate Division of the Supreme Court yesterday disposed of 13 appeals of mobile phone operators Grameenphone, Robi and Banglalink regarding some payments to Bangladesh Telecommunication Regulatory Commission (BTRC), including VAT on spectrum and licence fees.

A five-member bench of the Appellate Division headed by Chief Justice Hasan Foez Siddique delivered the verdict after holding hearing on the appeals.

The other judges are Justice Md Nuruzzaman, Justice Obaidul Hassan, Justice Borhanuddin and Justice M Enayetur Rahim.

The mobile phone operators filed the writ petitions with the apex court about 10 years back. The full verdict has not been released yet. Attorney General AM Amin Uddin appeared for the state during the hearing.

Khandakar Reza-E-Raquib, representing the BTRC, told The Daily Star that Grameenphone, Robi and Banglalink would have to pay around Tk 2,500 crore to the BTRC over licence renewal and spectrum assignment fees and revenue sharing following the SC verdict.

Grameenphone will have to pay around

Tk 1,400 crore, Robi Tk 500 crore and Banglalink Tk 600 crore, he said.

But Grameenphone’s lawyer, Mustafizur Rahman Khan, said it was not clear whether the mobile phone operators would have to pay any amount to the BTRC.

However, some officials of the operators, wishing anonymity, said the amount would be much lower.

“We need to keep in mind that a number of complex issues are involved in this case. It can only be explained once the full judgement is available,” said Shahed Alam, chief corporate and regulatory officer of Robi Axiata.

“However, we will be subject to double taxation if we do not receive a rebate on the amount we pay as spectrum and licence fees. The collection of VAT on spectrum allocation would be decided based on the verdict of this appeal,” he said.

According to Alam, Bangladesh will be the very first country in history to levy such tax on spectrum allocation if the judgement gets implemented.

“The tax burden will unfortunately create additional pressure on mobile telecom service providers and ultimately on consumers,” he added.



The tax burden will unfortunately create additional pressure on mobile telecom service providers and ultimately on consumers, said a senior official of a mobile operator. The photo was taken from Chattogram city recently.

PHOTO: RAJIB RAIHAN