Star BUSINESS

Raising fund thru bonds to cut costs of NBFIs

Says MD of LankaBangla

SOHEL PARVEZ

Raising fund by issuing bonds is a very good option for the non-bank financial sector and banks as medium and long-term debts will reduce overall costs, said a top executive of LankaBangla Finance.

"A 3-year or 5-year bond is fantastic option for us," said Khwaja Shahriar, managing director and CEO of LankaBangla Finance, one of the country's 34 non-bank financial institutions (NBFIs), in a phone interview with The Daily Star.

This is also a better option in comparison to deposits as the latter usually fluctuates because of withdrawals by savers, he said.

Khwaja Shahriar

"By borrowing from issuing bonds, we can prepare excellent business plan in order to lend and do business," he said.

The CEO shared the views after Bangladesh Bank last week asked the NBFIs to take initiatives such that they can mobilise funds issuing bonds instead of relying much on the interbank call money market.

The central bank issued the directive after it came to know that some NBFIs were failing to repay depositors due to a mismatch of the maturity period of funds.

This mismatch was arising due to the fact that loans were being disbursed among borrowers for long terms from short-term loans taken from the interbank call money market.

Shahriar said call money loan was an overnight loan and there was no scope to do long term business with such a kind of short loan.

He said the NBFIs with a sound financial health usually borrow from overnight money market but they also lend to others through the interbank market as part

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Economic shocks not entirely external

Economists say internal issues remained unaddressed for long

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The ongoing economic shocks Bangladesh is experiencing have not been entirely generated from the external source and many of them instead are the consequences of the absence of time-befitting measures on the part of the country, said economists yesterday.

The government regularly points to the coronavirus pandemic and the Russia-Ukraine war for the economy's current ills. But experts disagree, saying the economy has been facing several problems for years but they have remained unaddressed.

"The prevailing problems in the economy have not stemmed fully from the external source as many burning issues were not addressed on time," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"For instance, we have been talking about flexible exchange rates and tax reforms for years. But we have not done so. This type of negligence has made our financial sector vulnerable."

He came up with the remarks on the first day of the 6th Annual Economists' Conference organised by the South Asian Network on Economic Modeling (Sanem) at the Brac Centre Inn in the capital yesterday.

Speaking at a session of the two-day conference styled "Shocks and Shields: Sustaining Development in a Turbulent Time", Mansur said the country's foreign exchange reserves have been falling for months, but no initiative has been taken to stop the deterioration.

The foreign exchange reserves stood at $32.69 billion on February 2 in contrast to $44.99 billion one year ago.

"There has been a weakness in monitoring macroeconomic developments, leading to the worsening of the situation," said Mansur, also a former official of the International Monetary Fund (IMF).

The financial account that earlier played a key role in boosting the balance of payments is now in a deficit zone, Mansur pointed out.

The deficit in the financial account was $1.09 billion in the first half of the fiscal year compared to a surplus of $6.89 billion during the same period a year back.

The deficit means foreign lenders are now shying away from disbursing short-term loans to the country.

"Now, the challenge is: "How will we improve the confidence of the foreigners?" Mansur asked.

Owing to US dollar shortages, local banks can't settle letters of credit (LCs) on time, which has tarnished the image of the financial sector.

Mansur, however, said the government should be praised as it has gone to the IMF on time.

On January 30, the multilateral lender approved a credit facility of $4.7 billion for Bangladesh.

"I hope the economy will turn around in the next several months if the government implements the IMF's recommendations properly," Mansur said.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said that the fundamental question is whether the ongoing economic shocks have derived only from outside of Bangladesh.

"If we say that it has been driven by the coronavirus pandemic and the Russia-Ukraine war, we are not addressing the issue properly. I think the shocks have also come through the persistent haemorrhages within the domestic economy."

Rahman mentioned that it is well-known that thousands of crores of taka have been siphoned off from the banking sector and the percentage of default loans has been kept artificially low by rescheduling and writing off bad debts.

"The authorities have also taken measures in support of loan defaulters."

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Investment flow drying up for tech start-ups

MAHMUDUL HASAN

Start-ups in Bangladesh went through a tough time in 2022 owing to the uncertainty in the global economy, but gloomier days for them might not go away any time soon since the decline in global investments is set to linger.

In Bangladesh, the tech-startup industry has enjoyed years of a boom driven by people's increasing access to internet, more smartphone penetration and a decade of economic growth.

Now, the founders and executives of technology start-ups are facing a new reality as global venture capital investors are becoming cautious regarding investments amid rising inflation and widespread economic uncertainty.

In fact, they are now facing an uphill battle to stay afloat and have been forced to give pause to expansion.

This comes as start-up funding worldwide is dropping: global venture funding reached $445 billion in 2022, a 35 per cent decline year-on-year, said California-based information service provider Crunchbase in an analysis.

Founders and executives of start-ups are facing a new reality as global venture capital investors are becoming cautious about investments amid rising inflation and economic uncertainty

Bangladeshi start-ups raised $109 million in 2022, way lower than $415 million raised a year earlier, according to LightCastle Partners, a Dhaka-based business consulting firm, which tracks funding received by local start-ups.

In the past one decade, interest rates in the US have been meagre, paving the way for re-routing investments from bonds and treasuries to private equities and emerging markets through venture capital firms. Besides, venture capital firms received cheap funds from banks, said AKM Fahim Mashroor, chief executive officer of bdjobs.com.

Founded in 2000, the online job portal was one of the first tech-based start-ups in Bangladesh.

And venture capital (VC)-based start-ups began their journey in Bangladesh seven to eight years ago, with Chaldal, ShopUp, Pathao, and Shohoz being among the early initiatives.

Venture capital is a private equity and a type of financing that investors provide to early-stage start-up companies and small businesses that are believed to have long-term growth potential.

Typically, VC firms heavily invest in start-

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STOCKS (WEEK-ON WEEK)

DSEX ▼	CASPI ▲
0.02%	0.09%
6,294.73	18,583.23

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$1,865.94	$73.20
(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.52%	▲ 0.39%	▲ 0.61%	▼ 0.68%
60,841.88	27,509.46	3,384.29	3,263.41

ADB intends to give $2.5b for MRT-5's southern route

JAGARAN CHAKMA

The Asian Development Bank (ADB) has showed its intention to mobilise $3.5 billion along with a co-financier for the implementation of the southern route of the Dhaka Mass Rapid Development Project's MRT Line-5, officials said.

It was assured at a meeting on "Co-financing issue of Dhaka Mass Rapid Transport Development Project (MRT Line-5)" held at the Economic Relations Division (ERD) last month.

The 17.40km line from Gabtoli to Dasherkandi via Shyamoli, Russel Square, Karwan Bazar, Hatirjheel and Aftabnagar will have both underground and elevated sections.

It will have 15 stations and would cost an estimated Tk 53,000 crore ($5.5 billion). The deadline for the project is 2030.

"We are discussing with the ADB to finalise the negotiation for financing the project. The ADB has informed us about its intention to provide $2.5 billion as a lead financer and another $1 billion will be mobilised from a co-financier," said Mostafizur Rahman, additional secretary at the ERD and chief of its ADB wing.

It will take another two months to finalise the negotiation, he said.

"The ADB is positive about financing the project to ease the traffic congestion of Dhaka."

After the partial launch of metro rail, the authorities are planning to start the physical work for other lines such as MRT Line-5.

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The price of one bhori (11.664 grammes) of 22-carat gold will cost Tk 92,263 from today, undergoing the first reduction to be brought about in nearly four months. The price had reached a record high of Tk 93,429 per bhori in mid-January this year. PHOTO: STAR/FILE

Gold price falls for first time in nearly 4 months

STAR BUSINESS REPORT

For the first time in more than three months, Bangladesh Jewellers Samity (Bajus) yesterday reduced the price of gold by 1.24 per cent or Tk 1,166 per bhori in line with a fall in the price of the precious metal in the local market.

From now on, the price of one bhori of 22-carat gold (11.664 grammes) will be Tk 92,263, said Bajus in a press release yesterday.

The association had been hiking the price of gold for over three and a half months since October 24, 2022 when it last slashed the price of the metal, popularly used by people of all walks of life in the form of ornaments.

The new price will come into effect from today, said MA Hannan Azad, chairman of the Bajus standing committee on fixing and monitoring prices.

In mid-January this year, the Bajus hiked the price of gold to Tk 93,429 per bhori, the highest so far in the country's history.