Lanka completing pre-requisites for IMF aid: president

REUTERS, *Colombo*

Sri Lanka is completing the pre-requisites to unlock a $2.9 billion bailout from the International Monetary Fund (IMF) and expects rapid approval from the global lender, President Ranil Wickremesinghe said on Saturday.

"We are successfully completing the difficult stage required to get support from the International Monetary Fund. We expect to get their consent without delay," Wickremesinghe said in his address to the nation to mark the 75th Independence Day.

Sri Lanka, caught in the worst financial crisis since independence from Britain in 1948 triggered by a severe shortage of dollars, has seen steep inflation, a currency plunge and its economy slide into recession.

The island of 22 million people has also been hit by high taxes, a shortage of essential items such as medicine and fuel, and daily power cuts.

Wickremesinghe, who took over after his predecessor fled the country and resigned last year after thousands of protesters occupied his office and residence, has pledged to put the economy back on track but warned it will be an uphill task.

"I know that many of the decisions I have been compelled to take since assuming the presidency have been unpopular .... I will continue this new reform program with the majority of people who love this country," he added.

Facebook users in India, the Philippines and Bangladesh represented the top three sources of growth in daily active users during December 2022, relative to the same period in the previous year. PHOTO: STAR

Bangladesh among top 3 nations to spur user growth of Facebook

STAR BUSINESS REPORT

Bangladesh is among the top three nations contributing to the active user growth for Facebook as of December 31, 2022, according to its parent social media giant Meta.

"Users in India, the Philippines, and Bangladesh represented the top three sources of growth in DAUs (daily active users) during December 2022, relative to the same period in 2021," reported the NDTV citing a regulatory filing of Meta.

The company has reported a 4 per cent increase in worldwide daily active users to two billion on an average during December 2022 from 1.93 billion during December 2021.

The company defines a daily active user as a registered and logged-in Facebook user who visited Facebook through its website or a mobile device, or used the Messenger application (and is also a registered Facebook user), on a given day.

The monthly active users (MAUs) as of December 31, 2022, increased by 2 per cent to 2.96 billion from December 31, 2021.

Bangladesh also stood among the top three contributors in terms of monthly active users.

"Users in India, Nigeria, and Bangladesh represented the top three sources of growth in 2022, relative to the same period in 2021," said Meta.

Investment flow drying up

FROM PAGE B1

ups and pressurise founders to go for a rapid expansion, Mashroor said.

But the progress in the tech-start-up segment has received a blow since the start of the war in Ukraine as the Federal Reserve, the central bank of the United States, has started to increase the key interest rates to combat higher inflation, sending the cost of the funds raised by venture capital firms higher.

"Similarly, the stock prices of global tech start-ups have started to fall. This has affected the startup funding scenario in Bangladesh," Mashroor added.

A CEO of a tech start-up says although VC investments carry a higher risk, they come to emerging markets for a higher return.

"But as the monetary policy has tightened in the US, people are switching to safer assets such as dollars and treasury bonds. They have started to assess the risk of emerging market investments."

The start-ups that have already broadened their footprint substantially and are in need of a large amount of funds to expand further have received the biggest blow stemming from the changing global scenario, industry people say.

In the start-up ecosystem, the initial investments such as pre-seed or seed funding are followed by various rounds, known as Series A, B, and C.

So, the failure to draw subsequent large investments by companies such as ShopUp, Shohoz and Chaldal is alarming, said industry people.

Owing to the fund crunch, many online-based businesses, including HungryNaki, Foodpanda and Sheba, cut a substantial number of jobs last year. Some have put expansion plans on hold.

Chaldal, which shot to fame during the coronavirus pandemic as demand for online grocery sales rocketed, has stopped expanding amid the low demand from the cities outside Dhaka, said its CEO Waseem Alim.

He says global investors don't have strong confidence in overall policies in Bangladesh, so funding is declining.

Sajid Rahman, managing partner at MyAsiaVC, an early-stage venture fund, said the current global economic crisis will have an impact on Bangladesh start-ups.

"When all of the companies that have received funding from a particular venture capital struggle, the investor becomes careful and stops injecting new funds. So, local start-ups need to be more prudent and make the business model more solid."

Syed Javed Noor, deputy managing director of IDLC Finance Limited, which operates a fund of Tk 45 crore, said fund managers in Bangladesh used to meet two to three international investors, who came to explore the Bangladesh market, before August last year.

"Now, a dry period is going on for venture capital funding globally."

The funding crunch is mostly hurting the start-ups that are looking to raise larger funds.

"But currently in Bangladesh, we don't have too many companies that have reached that point," said Rahat Ahmed, CEO of Anchorless Bangladesh, a venture capital firm.

Amid slower growth in the e-commerce segment, some companies are exploring opportunities in the offline market.

One of them is beauty e-commerce platform Shajgoj, a shopping app that raised Tk 21 crore in seed funding last year. The platform has already set up some stores and plans to establish 100 physical outlets in three years.

Online gadget seller Picaboo has set up 17 brick-and-mortar stores.

"The online market is only 1 per cent of the retail sales in Bangladesh. So why shouldn't we enter the offline market?" said an official of the company.

Rahman thinks if people who work with VCs get the opportunity to be involved in policy-making in Bangladesh, it will bring about benefits for the sector.

Economic shocks

FROM PAGE B1

The default loans accounted for 9.36 per cent of the total loans amounting to Tk 14,36,199 crore in the banking sector.

"The default loans are deepening the vulnerabilities in the banking sector," said Rahman, adding that this has also put an adverse impact on investment.

"Outside shocks are always there, but building resilience in the economy is the main thing."

Selim Raihan, executive director of the Sanem, said that the country was confronting several long-standing challenges, such as a low tax-GDP ratio, a high degree of default loans, and weak governance in the banking sector.

The low level of foreign direct investment, misalignment of the exchange rates, and money laundering are other challenges, he said.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said that there are two different views on the ongoing stress in the economy.

The insiders, or policymakers, usually argue that they have taken a set of comprehensive measures to tackle the ongoing stress, he said.

"They have also assured that 'do not worry and be hopeful'. The insiders have claimed that policies are working and the situation will not worsen."

"The policymakers have been claiming for the last six months that the ongoing economic problems would be resolved within the next two months. But the next two months have not arrived yet?"

Hussain asked what the actual situation was.

The central bank injected $9.20 billion into the foreign exchange market in the first seven months of the current fiscal year of 2022-23 in contrast to $7.62 billion in the entire last fiscal year.

"So, we can't say the forex market is now in a better shape. Businesses say that it is difficult for them to open LCs due to the crunch of dollars," Hussain said.

Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre, and a former adviser to the caretaker government, said people living in the city were in a difficult situation during the peak of the pandemic because of the rising cost of living. They were forced to migrate to rural areas.

"Now, people have been compelled to cut consumption of nutritious foods and discretionary expenditures. They are adjusting to a low-standard lifestyle."

Prof Shamsul Alam, state minister for planning, said that Bangladesh is doing better in many indicators, such as female labour participation and life expectancy, compared to India and Pakistan.

He said job opportunities in rural areas have recently increased, which is why people migrated from cities to villages.

Prof Alam said the economy was now in a comfortable zone and the ongoing stress would be resolved within one to three months.

"Bangladesh's economy will not face the consequences that Sri Lanka and Pakistan faced."

The central bank injected $9.20 billion into the foreign exchange market in the first seven months of the current fiscal year of 2022-23 in contrast to $7.62 billion in the entire last fiscal year. PHOTO: STAR/FILE

Raising fund thru bonds

FROM PAGE B1

of their day-to-day liquidity management.

He said LankaBangla has already issued three bonds to raise funds from the market.

Now, a fourth bond is under subscription by investors. It is a 3-year tenure zero coupon bond and the NBFI wants to borrow Tk 300 crore from the market, according to Shahriar.

"But not all will be able to attract investors. The NBFIs with sound financial condition will be able to find investors," he said.

Shahriar said the bond market was developing and some steps were being taken by the regulators to facilitate trading of bonds in the secondary market. Bonds of non-listed companies can be traded in alternative trading board (ATB), he said.

Early January this year, Dhaka Stock Exchange launched an ATB to facilitate the secondary trading of non-listed companies, corporate bonds, open-ended mutual funds, and exchange-traded funds.

He said through the latest directive, Bangladesh Bank suggested that the NBFIs focus on arranging long-term financing.

"For this, we have to ensure that the NBFs stand with a sound footing, to have strategy and business plan to win confidence of investors," he said.

Improving corporate governance is very important in this regard, he said.

ADB intends to give $2.5b

FROM PAGE B1

At last month's meeting, Soon Chan, senior country specialist of the ADB, informed the ERD about the intention of the Manila-based multilateral lender to provide $2.5 billion for the project. The rest could be funded by co-financiers.

ERD sources said the ADB and the ERD would separately communicate with the Korean Exim Bank for confirming its financing of $1 billion.

The ERD also suggested revisiting the estimated cost of the project as it is higher than the same project being implemented in India, said an official.

The feasibility studies for the southern route of the MRT Line-5 were done in November last year, but the authorities are yet to find a financier for the project.

State-owned Dhaka Mass Transit Company Ltd is in charge of implementing the 130km metro network of six lines.