



Foreign aid disbursement, commitment decline

MD ASADUZ ZAMAN

Commitments and disbursements of foreign assistance for development projects in Bangladesh fell in the July-January period of the current fiscal year, which may deepen the pressure on foreign exchange reserves.

The commitments declined by around 62 per cent year-on-year in the first seven months of the current fiscal year from \$4,698 million, according to data from Economic Relations Division (ERD) of the finance ministry.

Meanwhile disbursements slipped 9 per cent year-on-year to \$4,259 million.

Seeking anonymity, an ERD official said the decline was an outcome of the global economic crisis alongside a go-slow strategy of the government and development partners.

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Compared with last fiscal year, the arrival of a lower budgetary support for Bangladesh resulted in the lower disbursement, he added.

However, this situation may improve in the coming days at the end of the fiscal year, he said.

The declining trend of both commitments and disbursement are not “good” for the foreign reserves, said Prof Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, on being contacted by The Daily Star.

“The lower commitment creates a midterm effect while the lower disbursement may create immediate pressure on the foreign reserve,” he said.

The financial accounts also showed the deficit, which is not good for the reserve, he said.

“Although we now have strength in the pipeline, we cannot use this fund properly. A few days ago, the government vowed to utilise its own funds, which is not correct,” Rahman added.

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The domestic market for the fabrics used in making home textiles as well as apparel items worn by local consumers has boomed in Bangladesh in the past several years on the back of rising purchasing power and the production of value-added items. The photo was taken from the port city of Chattogram’s Jubilee Road recently.

PHOTO: RAJIB RATHAN

Eight banks face provision shortfall of Tk 19,048cr

AKM ZAMIR UDDIN

Eight banks in Bangladesh faced a collective provisioning shortfall of Tk 19,048 crore in 2022, creating a risk for their depositors.

The lenders are National Bank, BASIC Bank, Agrani Bank, Rupali Bank, Bangladesh Commerce Bank, Mutual Trust Bank, Standard Bank, and Bangladesh Krishi Bank. All of the banks except Krishi Bank also witnessed a provision deficit in 2021 as well.

Provision shortfall occurs when a financial obligation exceeds the amount of cash available. It can be temporary, arising out of a unique set of circumstances, or persistent, indicating poor financial management practices.

Banks have to earmark 0.5 per cent to 5 per cent of their operating profit as provisions against general category loans, 20 per cent against classified loans of the substandard category, and 50 per cent against classified loans of the doubtful category.

It has to set aside 100 per cent provisioning against the classified loans of bad or loss category.

“The provision shortfall at the banks means they are distributing profits and dividends to their shareholders without protecting

PROVISION SHORTFALL

As of Dec 2022, SOURCE: BB



National Bank
BASIC Bank
Agrani Bank
Rupali Bank
Bangladesh Commerce Bank
Mutual Trust Bank
Standard Bank
Bangladesh Krishi Bank

Tk 6,618cr
Tk 4,536cr
Tk 4,422cr
Tk 2,815cr
Tk 344cr
Tk 171cr
Tk 139cr
Tk 3.36cr

the interest of depositors,” said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

He said high-default loans were mainly responsible for the provisioning shortfall in the banks.

“In the past, the majority of the eight banks faced a wide range of scams. As a result, their default loans have widened,” said Mansur, also a former official of the International Monetary Fund.

Of the eight banks, National Bank, which witnessed a number

of scams in recent years, was at the top of the list of the lenders facing provision shortfall.

The deficit at the bank stood at Tk 6,618 crore as of December, up 103 per cent a year ago, data from the Bangladesh Bank showed. Non-performing loans at the private lender rose 12 per cent year-on-year to Tk 6,658 crore in December.

The central bank earlier banned National Bank from disbursing loans. But the measures have not contributed to improving its financial health.

Md Mehmood Husain, managing director of the bank, did not respond to The Daily Star’s requests for comment.

State-run BASIC Bank saw a provision shortfall of Tk 4,536 crore in 2022 in contrast to Tk 4,115 crore in 2021.

The state lender, which had been considered a good bank thanks to its strong corporate governance, faced earth-shaking scams in 2010 and 2011. Its bad loans accounted for 57.55 per cent of the outstanding credit last year.

Md Anisur Rahman, managing director of BASIC Bank, said: “The current management is trying heart and soul to improve the financial health.”

“Our operating loss is falling. We always return money to depositors on time.”

Bangladesh Commerce Bank had a provision shortfall of Tk 344 crore in December. The private lender, which has also been hit with irregularities, has been facing a shortfall for years.

Contacted, Md Tajul Islam, managing director of the bank, declined to comment.

Mutual Trust Bank faced a shortfall of Tk 171 crore last year.

Syed Mahbubur Rahman, managing director of the lender, said that the bank had not faced any irregularities.

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Fabrics market swells on rising consumption

REFAYET ULLAH MIRDHA

Rising per capita income, stricter anti-smuggling measures and the production of value-added apparel items have catapulted Bangladesh’s annual yarn and fabrics sales to \$9 billion.

The consumption has grown 50 per cent since the financial year of 2016-17 when the size of the local yarn and fabrics market was \$6 billion, data from the Bangladesh Textile Mills Association (BTMA) showed.

“It has been noticed over the last few years that the market for local yarn and fabrics has grown by almost \$1 billion every two years,” said Mohammad Ali Khokon, president of the BTMA.

On average, a female consumes 40 metres and her male counterpart consumes 25 metres of fabrics with each metre costing \$1.40, according to the BTMA.

Currently, 250 spinning mills and 600 weaving mills produce 7 billion metres of fabrics a year to meet the domestic demand. The investment aimed at setting up the mills to produce yarn and fabrics has been more than \$6 billion.

Consumption has grown 50 per cent since the financial year of 2016-17 when the size of the local yarn and fabrics market was \$6 billion

Besides, there are many other small and medium-sized spinning and weaving mills in various parts of Bangladesh. They make a few million metres of fabrics each year and have invested a few hundred million dollars, industry insiders say.

“The buying capacity of the people of the country has increased, so a lot of consumers can afford more apparel items and are paying additional prices for value-added items,” said Khokon.

Bangladesh’s per capita income stood at \$2,793 in 2021-22, an increase of 7.8 per cent from a year earlier, according to the Bangladesh Bureau of Statistics. It has more than quadrupled since 2009.

“This has driven up the overall consumption of fabrics in the local market,” Khokon added.

Khorshed Alam, chairman of Little Group, a fabrics producer, says local manufacturers meet 95 per cent of demand as they have increased investments over the years.

Mainly salwar kameezes, lungis, saris and shirts are supplied by local millers, he said.

The production of fabrics has seen ups and downs in recent years.

At the peak of the coronavirus pandemic in 2020, the growth of local fabrics production slowed owing to a fall in demand and there was a lot of stockpiling of unsold fabrics and yarns at the factory level.

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STOCKS		
DSEX ▼	CASPI ▼	
0.14%	0.12%	
6,218.83	18,360.21	

COMMODITIES		
Gold ▲	Oil ▲	
\$1,843.89	\$77.04	
(per ounce)	(per barrel)	

ASIAN MARKETS				
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.51%	▲ 0.06%	▼ 0.59%	▲ 2.06%	
60,691.54	27,531.94	3,308.75	3,290.34	

Smartphone shipment shrinks

MAHMUDUL HASAN

The smartphone market in Bangladesh witnessed a double-digit decline for the first time in seven years in 2022 while the feature phone market grew slightly at the same time, according to the latest Market Monitor report by Counterpoint Research.

In its report, the global market research company said Bangladesh’s smartphone shipments declined 23 per cent year-on-year in 2022.

The decline in the domestic smartphone market was due to high inflation as well as deteriorating consumer demand and price hikes while additional taxes also contributed.

Counterpoint tracks and analyses the global smartphone industry. Here, smartphone shipments refer to the number of smartphones that have been sent from manufacturers to retailers or carriers in a given time period.

The high inflation levels, macroeconomic crisis, disruption of the global supply chain, increased import duties and newly imposed value-added tax (VAT) all contributed to the decline, the research found.

The feature phone market grew 4 per cent year-on-year in 2022 due to the weakened transition to smartphones caused by price hikes in the second half of the year.

The report showed that smartphone’s share in overall handset shipments declined to 39 per cent in 2022 from 46 per cent in 2021.

“The year started with weak consumer demand due to geopolitical uncertainties and rising inflation. An increase in import duties in the September-ended quarter combined with the application of VAT in the December-

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The decline in the domestic smartphone market was due to high inflation as well as deteriorating consumer demand and price hikes while additional taxes also played a part.

PHOTO: STAR/FILE

BSEC to go for automation to curb manipulation

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) will go for full automation of all its process so that manipulation of stocks can be curbed in the market.

“The main target is to rein in manipulation,” said Saifur Rahman, an executive director of the BSEC, yesterday.

“Manipulation can be witnessed in every stock market in the world so it cannot be said that it will be stopped. Because, if we stop one way of manipulation, then they (manipulators) innovate new techniques,” he said.

The BSEC is not sitting idle, he told a press conference organised by the BSEC on its premises to announce holding a two-day international meeting starting tomorrow.

The regulator is also

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