



Bee boxes set up at a litchi orchard to aid pollination and collect honey. The fruit is harvested between mid-April and mid-June and around 87,183 tonnes were produced around the country in fiscal year 2020-21. The main collection season for honey spans from November to April and the country produces nearly 10,000 tonnes of honey annually. The photo was taken in Mashimpur village under Dinajpur sadar upazila last week.

PHOTO: KONGKON KARMAKER

# NBFIs lose over 48,500 deposit accounts in 3 months

Interest rate cap, erosion of confidence to blame

SOHEL PARVEZ

Non-bank financial institutions in Bangladesh lost 48,637 deposit accounts in the three months to December as savers moved away from NBFIs owing to the imposition of the cap on the deposit rate and the erosion of confidence in the wake of allegations of irregularities at some banks.

The NBFIs had 521,559 deposit accounts in the last month of 2022, down from 570,196 three months ago, according to the quarterly NBF statistics released by the Bangladesh Bank last week.

“Many deposit customers withdrew funds from NBFIs after the central bank capped the interest rate on deposits at 7 per cent in July last year whereas banks are offering more than that. This was one of the factors for the drop,” said Kanti Kumar Saha, chief executive officer of Lankan Alliance Finance.

Besides, insiders say, concerns regarding the health of the banking sector amid allegations of loan scams deepened the withdrawal pressure in the

second half of 2022.

However, the overall deposit in the NBFIs grew 5.21 per cent to Tk 43,752 crore in the October-December quarter.

Average deposit per account was up 15 per cent to Tk 8.39 lakh from Tk 7.29 lakh during the period.

Md Golam Sarwar Bhuiyan, managing director of Industrial and Infrastructure Development Finance Company Ltd, says the dollar crisis has had an impact on deposits as some corporate depositors pulled funds to open letters of credit by providing up to 100 per cent margin.

“Besides, a section of depositors withdrew funds owing to the panic created following reports regarding the health of a number of Islamic banks,” he said.

A number of Shariah-based banks have faced loan-related scams in recent months.

The deposit situation has, however, changed in the first quarter of 2023, according to industry people.

“We are witnessing better deposit growth in the first quarter this year

compared to the October-December quarter,” added Bhuiyan, also the chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA).

In Bangladesh, there are 35 NBFIs, which include three state-run institutions. Collectively, they have 308 branches.

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Central bank data showed that the number of loan accounts declined in the fourth quarter of 2022. Average advances per account rose 2.45 per cent, however.

Loan disbursement by the NBFIs decreased 1.80 per cent to Tk 5,691 crore in October-December compared to the previous quarter. The decline stood at 10

per cent year-on-year.

Bhuiyan blamed the slower deposit flow for the reduction in loan disbursement.

Saha said 2021 was a better year for the NBF sector as inflation was lower and there was no ceiling on deposit and lending rates, resulting in a higher interest rate spread. But 2022 saw soaring consumer prices and a curb on the interest rate, which affected the deposit flow.

“If the deposit growth is negative, how will the lending grow?” he questioned.

The risk of defaults amid the ongoing economic slowdown, driven by the disruptions because of the Russia-Ukraine war and the coronavirus pandemic, is another factor.

“Banks and NBFIs are cautiously lending to avoid risks,” said Saha, also the vice-chairman of the BLFCA.

According to the central bank, 39.26 per cent of the loans in the NBF sector went to the industrial sector in the fourth quarter. The trade and commerce sector accounted for 22.28 per cent of the credit disbursed while consumer finance represented 20.96 per cent.

## Korean battery makers hint at ‘price war’ with Chinese rivals

ANN/THE KOREA HERALD

After years of a high-pricing, premium strategy, South Korea's top three battery makers – LG Energy Solution, Samsung SDI and SK On – are increasingly turning their eyes to low-priced batteries in an apparent move to prevent ceding more market share to their fast-growing Chinese rivals in the soaring global electric vehicle market.

SK On, a spinoff from SK Innovation, will unveil its first lithium iron phosphate (LFP) battery, at this week's InterBattery trade show that kicks off Wednesday in Seoul, making its official entry into the lower-end battery market dominated by a slew of Chinese players.

“After successfully applying high-nickel battery technology to LFP battery cells, we have 70 to 80 percent longer EV range compared to existing LFP batteries (mostly made by Chinese companies),” said an SK On official.

The official added the new product lineup will help diversify its corporate clientele as well as secure price competitiveness.

LG Energy Solution, the largest among the three, also plans to showcase LFP batteries for energy storage systems during the upcoming three-day exhibition.

**“Reducing the battery price is actually the most effective to lower the car price,” said Choi Jae-won, a chemistry professor at Gyeongsang National University**

Earlier, the company had said it would convert and set up existing production lines in China and the US for LFP-based ESS.

Because the Chinese plant in Nanjing already produces nickel, manganese and cobalt batteries – better known as NCM batteries – for Tesla, speculation is running high that some of the LFP batteries could be supplied to the US EV maker's Shanghai Gigafactory. Tesla uses LFP batteries made by CATL only.

“The long-length LFP battery cells in ESS can be put into EVs easily as they show better performance than standard-sized cells,” an industry official said on condition of anonymity.

An LG official declined to comment on producing LFP batteries for EVs but offered a positive outlook for its market potential.

“Korean-made LFP batteries would have an upper hand in terms of product quality and accessibility to the US market,” he said, citing the Inflation Reduction Act, which basically curbs tax benefits for EVs and parts made by China.

Samsung SDI, on the other hand, is focusing on developing high-manganese batteries without cobalt, one of the expensive battery materials along with nickel.

“High-manganese batteries have higher energy density than LFP batteries but are less costly and more stable than NCM batteries,” said a Samsung official. One high-manganese battery cell's power is equivalent to that of almost two LFP battery cells combined, the official added, making production of high-manganese battery cells as cost efficient as the cheaper LFP ones.

## Food import cost ballooning

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Bangladesh also has good prospects in diversified dairy products thanks to the increasing milk production by the expanding dairy industry.

“The government should patronise private operators to raise high-end dairy output like cheese and butter. This will require technical efficiency to compete with the competitors in the market,” said Kabir.

Anwar Faruque, a former agriculture secretary, said, “There is no alternative to giving importance to the production of import-substitute foods.”

Of the eight major commodities, edible oil and oil seeds account for a major portion of the import cost.

Faruque said the government can devise a plan to encourage the use of rice bran oil as it could be easily produced by auto rice mills.

“Currently, we can utilise 20 per cent of the rice bran produced in the country. The rest 80 per cent is going outside of the country.”

MA Sattar Mandal, a former

vice-chancellor of the Bangladesh Agricultural University, suggested diversification of production through increased use of technologies.

“This will facilitate raising production and bringing down imports.”

The government is taking a Tk 7,214 crore project to modernise and improve the agriculture sector.

“This will enhance the diversified production of crops,” said Prof Alam.

In Bangladesh, about 73 per cent of cropland is currently used for rice cultivation, down from more than 80 per cent in the past.

“This is positive. But the main challenge is to increase productivity,” Prof Alam said.

“After ensuring high productivity of rice, we will have to focus on other high-value crops.”

Agriculture Minister Muhammad Abdur Razzaque said: “Bangladesh is not the lone country that is facing a high cost for importing foods. Other countries are also facing the same situation.”

He said every year, around



As rice is a “politically sensitive commodity”, successive governments gave priority to increasing its production and directed more resources to research to develop improved varieties of the crop and take them to farmers in order to ensure staple security.

PHOTO: STAR/FILE

20 lakh people are added to the population, which means a higher requirement for food. At the same, the arable land is decreasing gradually for non-agricultural use such as building houses.

“This is a challenge. As the land is shrinking, scientists are trying to develop high-yield varieties of crops.”

According to the minister, Bangladesh does not have a

## Bike sales drop 30% in two months

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by higher commodity prices in the global markets owing to the Russian-Ukraine war.

The significant increase in the US dollar price has also pushed up the price of bikes. The American greenback has strengthened by about 25 per cent against the taka in the last one year, making costlier imports in Bangladesh.

The sales of high-end motorcycles, however, have remained the same, Das said.

Dileep Banerjee, chief executive

officer of Uttara Motors Limited, the distributor of Indian motorcycle giant Bajaj, said his company's sales fell to 14,500 to 16,000 units per month in recent months.

The company clocks sales of around 22000 units per month during normal times.

“Currently, people are not considering motorcycles as an essential item,” Banerjee said.

Shah Muhammad Ashequr Rahman, CEO of Bangladesh Honda Private Limited, a joint

venture between Japan's Honda Motor Co and state-owned Bangladesh Steel Engineering Corporation, says the draft policy has created a negative impact in the market as people are confused about the speed limit of bikes in the city.

Sales of Honda-branded motorcycles declined by 42 per cent in the last two months. The price of motorcycles has increased by 18 per cent due to the hike in the price of the US dollar, he said.

The sales of bikes of TVS, Honda,

Runner and other brands fell by 20 to 42 per cent, industry people say.

Biplob Kumar Roy, CEO of TVS Auto Bangladesh Limited, the local distributor of India's TVS Motor Company, says the bike industry has been suffering for the last eight months as sales have fallen.

The company's sales have gone down by around 40 per cent to 6,000 units per month from 10,000 units previously. It sold 8,000 units a month in 2022.

“Motorcycles have become a luxury item as higher inflationary

pressures have created a burden for most households,” Roy said.

ACI Motors' Das warned that the market of motorcycles would not return to normalcy until the stability in the foreign exchange market is restored. “Rather, the price may go up if the dollar becomes costlier further,” he said.

Uttara Motors' Banerjee also does not think that the motorcycle market would make a comeback this year since the economy would take time to stabilise as the war continues.