Star BUSINESS

Ceiling of loans from export dev fund reset

STAR BUSINESS REPORT

The central bank has reset the ceiling of the US dollar loans from its Export Development Fund (EDF) to manufacturers and exporters for input purchases, with a view to stopping a further fall in foreign currency reserves.

Established in 1989, the EDF facilitates access to financing in foreign exchange for input procurement by manufacturer-exporters. Authorised dealer banks can borrow US dollar funds from the fund against their foreign currency loans to manufacturer-exporters.

The central bank has brought down the volume of the EDF after Bangladesh's foreign currency reserves started to come under pressure owing to a surge in import bills in the middle of 2022. Outstanding loans from the fund stood at $5.2 billion now.

READ MORE ON B3

BANKS WERE IMPACTED BY

- Single digit interest rate
- Higher amounts of NPLs
- Moratorium that contained classified loans
- Costly dollar that helped banks make more money

MUTUAL FUNDS DISTRESSED BY

- Tepid stock market
- Floor price that made market illiquid

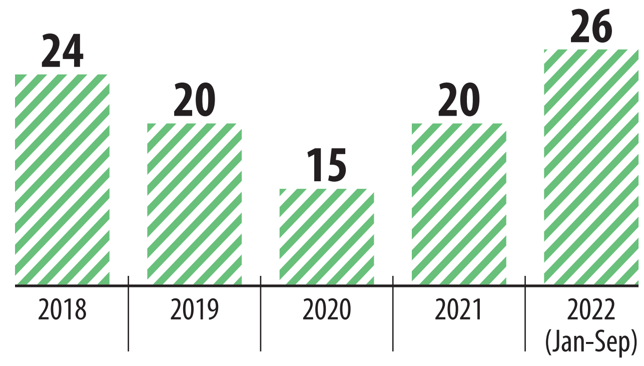
NBFIs WERE BATTERED BY

- Fund embezzlement news and image crisis
- Fund withdrawal pressure that led to liquidity crisis
- BB's stringent regulatory steps

BANKS THAT MADE HIGHER PROFITS

In number

SOURCE: BASED ON FINANCIAL REPORTS OF 30 LISTED BANKS



NBFIs THAT SAW PROFITS RISE

Year	Their number
2018	16
2019	5
2020	11
2021	6
2022 (Jan-Sep)	4

HOW LENDERS FARING AMID SLOWDOWN

Interest cap, NPLs did more damage than Covid, war

AHSAN HABIB

The business sector in Bangladesh has been going through severe challenges for the past four years, which, for many, have been the toughest period in decades, with the coronavirus pandemic being the dominant factor in the early part before the Russia-Ukraine war broke out. Today, we are running the second report of a series to present how various sectors fared in the face of the two unprecedented shocks.

Banks and non-bank financial institutions of Bangladesh might have been largely immune from the devastating impacts of the Russian-Ukraine war and the coronavirus pandemic, but the interest rate cap, higher bad loans and a tarnished image spelt trouble for them in the past several years.

The financial sector was unscathed throughout the pandemic thanks to a central bank's moratorium, which ordered banks and non-banks not to classify loans and follow relaxed rescheduling conditions. This, in turn, prevented them from setting aside funds to cover loan losses that come from profits.

On the other hand, many banks posted huge profits from their foreign exchange-related businesses since the outbreak of the Russia-Ukraine war as costly global commodities became costlier owing to the disruptions caused by the conflict. The crisis sent the prices of the US dollar to a record high against the local currency amid the fast depletion of the foreign currency reserves.

In 2018, of the 30 banks listed on the Dhaka Stock Exchange, 24 reported higher profits. Their number fell to 20 in 2019. It stood at 15 and 20 in 2020 and 2021, respectively.

In the first nine months of 2022, twenty-six banks booked higher profits, year-on-year.

"Despite the fallout of the pandemic, most banks logged higher profits because of higher commission and fee incomes from a spike in remittance flows and the opening of letters of credit," said Nurul Amin, a former chairman of the Association of Bankers, Bangladesh.

BB PERKS AND EXCHANGE RATE WINDFALL FOR BANKS

The pandemic was supposed to deal a major blow to the business of banks but the central bank's several benefits saved the day for them as they were able to show lower non-performing loans, according to Amin.

On March 19, 2020, less than two weeks after the government first reported the country's maiden coronavirus cases, the BB asked lenders not to consider business-people as defaulters if they failed to repay instalments until June 30 that year.

The central bank later extended the deadline several times to 2022, allowing borrowers to avoid becoming defaulter by paying a smaller portion of instalments.

The BB also ordered banks to follow a single-digit interest regime from April 1 of 2020. As a result, the profits of most of the banks dropped in the year as interest income dropped.

This prompted lenders to redirect their focus to securities and bonds. The move paid off and most banks logged higher profits in 2021.

The policy on loan rescheduling of defaulted loans was also relaxed. Defaulters who took term loans have been given a repayment period of six to eight years compared to the previous tenure of 9-24 months.

Non-performing loans were expected to witness a surge during the pandemic since sales plummeted and businesses were in a tight corner. But the BB steps prevented NPLs from ballooning and thus, cutting provisioning requirements. This helped banks show higher profits.

READ MORE ON B3

Rules eased for banks' import payment

STAR BUSINESS REPORT

The Bangladesh Bank yesterday eased rules for banks for the settlement of import payments for capital machinery, industrial raw materials and payments for the government imports through funds taken from their offshore banking units (OBS).

To meet import payment obligations, banks would be able to transfer funds from their OBUs to their domestic business or onshore units for up to 40 per cent of their total regulatory capital, the central bank said.

Earlier, the Bangladesh Bank allowed banks to place up to 25 per cent of their regulatory capital to domestic business units from their OBUs so that the lenders could settle import payments.

The benefit was allowed for period until June 30 this year.

Now, the central bank said the latest relaxation shall remain valid until December 31 this year.

A senior official of the BB said some banks have

READ MORE ON B3

BTMA demands drives against sales of illegally imported yarn

REFAYET ULLAH MIRDHA

Bangladesh Textile Mills Association (BTMA), a platform of primary textile millers, yesterday urged the National Board of Revenue (NBR) to enhance monitoring in markets across the country against the sale of illegally imported yarn.

In a letter sent to NBR Chairman Abu Hena Md Rahmatul Muneem, the BTMA said there were massive stockpiles of locally-made yarn in markets of Narayanganj, Araihazar, Gausia, Madhabdi, Baburhaat, Narsingdi, Tangail, Sirajganj, Belkuchi and Pabna.

But illegally imported yarn is being sold at a rate cheaper than those produced locally, resulting in a lot of losses and liquidity crisis for local spinners catering to the domestic market, it said.

Customs Bond Commissionerate usually conducts drives against the malpractice on the NBR's instructions and from time to time has seized a lot of illegally imported yarn, meaning those brought in through false declarations.

> **The local stockpile of yarn used in the production of fabrics for the local market is worth Tk 8,000 crore**
>
> Monsoor Ahmed
> CEO of BTMA

However, such drives have remained suspended over the last couple of years, said the BTMA.

In another letter, the BTMA urged the NBR to formulate a policy which would stipulate that export-oriented garment factories first use up yarn available from local spinners before meeting any shortages through imports.

The export-oriented garment factories import a lot of yarn with US dollars using the bonded warehouse facility, for which the demand for the locally-made yarn falls.

However, the value addition in the use of local yarn is 55 per cent to 60 per cent whereas of imported yarn 30 per cent, said the BTMA.

Currently, there are 510 spinning mills in the country with an annual production capacity of 3,600 million kilogrammes (kgs), which can meet 70 per cent of the demand of the export-oriented garment factories.

READ MORE ON B3

STOCKS

DSEX	CASPI ▲
Flat	0.29%
6,214.97	18,309.29

COMMODITIES AS OF FRIDAY

Gold ▼	Oil ▲
$2,007.66	$80.50
(per ounce)	(per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.24%	▲ 0.17%	▼ 0.55%	▲ 0.45%
59,832.97	27,518.31	3,300.48	3,327.65

Edible oil products are seen on display at a supermarket in Barishal city last night. While global prices of soybean oil have decreased in recent months, local prices have remained the same due to the implications of an ongoing US dollar crisis.

PHOTO: TITU DAS

Soybean oil remains dearer though global prices slump

Importers, processors blame dollar crisis, rising production cost

SUKANTA HALDER

Although soybean oil prices have dropped in the international market, consumers in Bangladesh are yet to reap the benefit of this reduction as domestic prices remain the same.

Globally, soybean oil was sold at $1,236 per tonne in the January-March period of the current calendar year, down 26 per cent year-on-year from $1,674 per tonne, according to World Bank data on commodity prices.

However, prices of the edible oil did not see a similar decline during the period, as per retail price data compiled by the state-run Trading Corporation of Bangladesh (TCB).

TCB data shows that bottled soybean oil was sold at Tk 187 to Tk 190 per litre in January, up from Tk 150 to Tk 160 during the same month in 2022.

In February too, retail prices of soybean oil remained higher than what they were during the same month in 2022.

And in March, packaged soybean oil was sold at Tk 180 to Tk 185 per litre, which was nearly 9 per cent higher than Tk 165 to Tk 170 a year ago even though prices continued to fall in the international market, shows World Bank data.

As such, the Consumers Association of Bangladesh has criticised local businesses for delaying price adjustments in line with global trends. However, officials of commodity processors blamed higher import costs and taka's depreciation against the US dollar for keeping prices the same.

> **Globally, soybean oil was sold at $1,236 per tonne in January-March of the current calendar year, down 26 per cent year-on-year, according to World Bank data**

Energy and transportation costs have also risen and so, even if prices fall in the international market, it may not have an effect on the domestic market, said Taslim Shahriar, senior assistant general manager at Meghna Group of Industries, one of the biggest commodity importers and processors.

READ MORE ON B3

PHOTO: AHMED HUMAYUN KABIR TOPU

Weavers and traders of handloom clothing, such as saris and lungis, are so far disappointed by poor sales amid the ongoing month of Ramadan, which is the peak sales season for these apparel items. Producers mainly attribute the fall in demand to price hikes resulting from higher production costs.

Handloom clothing traders, weavers worried by poor demand

AHMED HUMAYUN KABIR TOPU, *Pabna*

Sales of handloom clothing, such as saris and lungis, usually peak during the shopping season centring Eid-ul-Fitr, the biggest religious festival for Muslims in Bangladesh.

However, weavers and traders of handloom clothing in Pabna and Sirajganj, the two biggest producing regions, are been left disappointed by poor demand this year.

"I would sell clothes worth Tk 4-5 lakh daily after Shab-e-Barat as retailers from across the country would come to source their products as early as possible for the Eid market," said Md Monir Hossain, a trader of Pabna's Ataikula wholesale hub, which opens twice weekly on Thursday and Friday.

"I have sold just Tk 1.5 lakh worth of clothes so far as customer turnout was considerably low in the first two weeks of Ramadan," he added.

Md Arif Hossain, another wholesaler of the same market, said a good number of buyers purchased cheap clothes for distribution as Zakat during Eid last year. However, sales of such items are unsatisfactory this year.

Clothing prices have risen rapidly over the past year due to excessive production costs. For example, the price of an apparel item worth Tk 100 has increased by about 25 per cent this year.

"So, the demand for handloom clothing, especially among low-income groups, has fallen this year due to the price hikes," he added.

Md Hyder Ali, a leading handloom clothing trader and manufacturer in Sirajganj, said the Shahzadpur Tant Kaporer Haat, one of the biggest hubs for handloom clothing, is seeing poor sales as well.

"It was normal to see sales of Tk 200 crore each week of the Eid market but now, sales have reduced by at least 25 to 30 per cent this year," Ali added.

He went on to say that this year's sales are even lower than that of the pandemic period.

"The price of cloth was cheaper during the pandemic while sales were good enough at the time," he said.

> **The demand for handloom clothing, especially among low-income groups, has fallen this year due to price hikes**
>
> **Md Arif Hossain**
> A wholesaler

Regarding the higher raw material prices, Md. Shahin, a handloom clothing producer in the Dogasi Karigarpara area of Pabna sadar upazila, said each 45-kilogramme bundle of 80-count thread is now being sold for Tk 30,000 while it was Tk 20,000 a couple of years ago.

"At the same time, the price of colour and chemicals has nearly doubled," he told The Daily Star.

But despite the poor Eid sales, handloom clothing weavers were found busy at work all throughout Pabna and Sirajganj.

"We are getting small profit by investing our money and labour. Still, we are holding onto our inherited business in hopes of more profit," Shahin said, adding that he hired 20 looms near his factory targeting the Eid sales.

Last year, he supplied some 3,000 lungis ahead of Eid but this time, he has not been able to sell more than 2,000.

Md Hyder Ali, vice president of the Bangladesh Handloom and Power loom Owners Association, said there are around 6 lakh looms in Pabna and Sirajganj. However, more than 2 lakh of them have remained dormant for years not while the remaining 4 lakh are in full operation ahead of the festival.

"Despite poor Eid sales, weavers are busy for manufacturing clothes ahead of the festival targeting to get maximum business and profit," Hyder added.

Weavers usually begin production from the Shab-e-Barat night while most sales are traditionally complete by the first week of Ramadan.

90pc of StanChart, UCEP training beneficiaries now employed

STAR BUSINESS DESK

Approximately 90 per cent of 2,100 beneficiaries selected for a Re-skilling and Employment Reintegration Programme of Standard Chartered Bangladesh and Underprivileged Children's Educational Programmes (UCEP) Bangladesh are now employed.

The two entities recently celebrated the completion of the programme which aimed to tackle job losses and promote economic development amidst global headwinds.

Launched in December 2020 and ending in March this year, the upskilling and reskilling programme provided training in welding, mechanical and electrical services, tailoring and automobile servicing, said a press release.

The material taught was developed in response to a number of assessments and studies conducted by UCEP Bangladesh.

Janata Bank launches mobile app 'eJanata'

STAR BUSINESS DESK

Janata Bank has launched an artificial intelligence-based mobile app "eJanata".

The app enables customers to transact funds with any commercial banks of the country and pay savings or credit card instalments.

Officials informed that an "add money" option will be added soon with bKash alongside cash withdrawal and payment options through quick response (QR) codes.

Customers have to provide a 13-digit account number, national identity number, registered mobile number, email address and related information to "sign-up" in the app.

The eJanata has been downloaded over 50,000 times from Google Play Store since being launching on February 15 while customers have transacted around Tk 22 crore so far, said a press release.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (APR 9, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	3.85 ↑
Coarse rice (kg)	Tk 46-Tk 50	0	3.23 ↑
Loose flour (kg)	Tk 55-Tk 58	-4.24 ↓	61.43 ↑
Lentil (kg)	Tk 95-Tk 100	0	0
Soybean (litre)	Tk 168-Tk 175	0.88 ↑	10.65 ↑
Potato (kg)	Tk 24-Tk 30	28.57 ↑	50 ↑
Onion (kg)	Tk 30-Tk 40	0	16.67 ↑
Egg (4 pcs)	Tk 42-Tk 45	-1.14 ↓	27.94 ↑

SOURCE: TCB

Syed Habib Hasnat, managing director of Global Islami Bank (GIB), exchanged signed documents of an agreement with Md Abdul Wahab, director of the Covid-19 Emergency and Crisis Response Facility Project of Bangladesh Bank, at the BB headquarters in Dhaka recently over disbursing loans at a maximum interest rate of 4 per cent for small and medium enterprises under a refinance scheme of US$ 300 million of the central bank provided by Asian Infrastructure Investment Bank. Abu Farah Md Nasser, deputy governor of the BB, Md Kabir Ahmed, executive director, and SM Mizanur Rahman, executive vice-president of GIB, were present. PHOTO: GLOBAL ISLAMI BANK

Md Humayun Kabir, deputy managing director of Walton Hi-Tech Industries, and actor Amin Khan, senior executive director, recently handed over 101 free products to Digital Campaign Season-17 winner Monwara Begum, at a function held at distributors' showroom "Bhai Bhai Enterprise" at Bhabaniganj Market of Juri upazila in Moulvibazar. Mohammad Firoj Alam and Ariful Ambia, senior executive directors of the company, Asaduzzaman, zonal manager of Walton in Syhlet, Sarwar Jahan, area manager, and Humayun Kabir, proprietor of Bhai Bhai Enterprise, were present. PHOTO: WALTON GROUP

Singapore adds more billionaires to Forbes' richest list

ANN/ THE STRAITS TIMES

Li Xiting, founder and chairman of Shenzhen Mindray Bio-Medical Electronics, a global provider of medical devices based in China, has again topped Forbes' list of billionaires in Singapore.

Li was among 35 billionaires from the Republic - up from 26 in 2022. Their collective net worth came to US$118.9 billion (S$157.6 billion), compared with US$106.7 billion in 2022.

This year saw several additions to the rarefied list, including Kwek Leng Keow (with US$1.4 billion) of Hong Realty, the private property company within the Hong Leong Group in Singapore; hotel tycoon Michael Kum (with US$1 billion), whose properties include brands such as Hilton and Hyatt; and Dr Loo Choon Yong (with US$1 billion), co-founder of Raffles Medical Group.

Li's net worth stood at US$16.3 billion, making him the 103rd richest billionaire in the world, according to Forbes' annual ranking.

The 72-year-old co-founded Mindray in Shenzhen in 1991. He made his money selling ventilators and medical devices and saw his wealth grow exponentially during the Covid-19 pandemic. Born in Anhui, China, Li moved to Singapore and became a naturalised citizen in 2018.

Goh Cheng Liang, 95, owner of the regional franchise for Nippon Paint – one of the world's biggest paint-makers – is Singapore's second-richest person. His net worth stood at US$14.3 billion, making him the 123rd richest billionaire in the world.

Goh's fortune was cemented after his privately held Wuthelam Holdings took control of Nippon Paint in 2020.

Veteran banker Wee Cho Yaw, 94, is worth US$7.1 billion, making him the 325th richest billionaire in the world.

Wee is the largest shareholder and chairman emeritus of UOB. The group reported a record high core net profit of $4.8 billion for 2022, up 18 per cent from 2021. Including one-off expenses relating to the acquisition of Citigroup's Malaysia and Thailand consumer businesses, its earnings hit a high of $4.6 billion.

Bangladesh's trade competitiveness

FROM PAGE B4

Bangladesh will also witness changes in markets such as Canada, Japan, and China. Tariff increases for Canada will be between 16 and 18 per cent for 10 of the top 12 export products, and around 8 to 11 per cent in the Japanese market.

"The LDC graduation could impact clothing exports significantly," the WB said.

According to the report, non-tariff barriers (NTBs) significantly exceed tariff barriers while border and documentary compliance requirements lead to major delays for exporters.

Such compliance requirements in Bangladesh result in delays of about 300 hours, more than 10 times the time required to comply in China and five times that required in India, it added.

The report described reducing the level of protection as crucial to boosting competitiveness. It recommended modernisation of the tariff regime to incentivise export diversification, tariff rationalisation accompanied by simultaneous tax reforms to compensate for the expected revenue loss, and liberalising the NTBs to diversify exports.

The WB paper also suggested comprehensive bilateral free trade agreements with the EU and India to boost exports across the board and contribute to diversification into higher value-added manufacturing and services.

"Preferential liberalisation with South Asia and Southeast Asia will boost Bangladesh's services economy," it said.

FBCCI offers Tk 1cr grant for victims

FROM PAGE B4

Most of the traders and their dependants are now in a dire situation as they lost all the goods bought with loans for sale ahead of Eid-ul-Fitr, one of the biggest religious festivals for Muslims when sale of clothes soars in Bangladesh.

A victim database assessing needs could be created to offer loan interest waivers or reductions, interest free special term loans or low interest credit and loan instalment payment deferrals, recommended DCCI President Md Sameer Sattar in a press release.

Relevant and existing government refinancing schemes on easy terms and conditions could also be offered while the victims could be granted temporary immunity from being listed as loan defaulters, he said.

Judicious consideration of the recommendations can rapidly get the victims and their employees back on their feet, he added.

Nuruddin Md Sadeque Hussain

Southeast Bank appoints MD

STAR BUSINESS DESK

Southeast Bank has recently appointed a managing director.

The appointee, Nuruddin Md Sadeque Hussain, was previously serving as managing director (current charge) and deputy managing director concurrently.

He joined Southeast Bank in 2003 as an assistant vice-president, said a press release.

He started his career in Islamic banking as a probationary officer in 1991 and later worked for Prime Bank Limited.

He obtained bachelor's and master's degrees in public administration from the University of Dhaka and availed an MBA.

Garment employees work at a factory in Gazipur. The government took the export competitiveness for jobs (EC4J) project in 2017 in a bid to diversify the country's export that is currently heavily concentrated on apparel, accounting for 84 per cent of annual shipments.

PHOTO: REUTERS/FILE

Export competitiveness project still in slow lane after 6 years

Commerce ministry to seek time, cost revision

MD ASADUZ ZAMAN

The commerce ministry's Export Competitiveness for Jobs (EC4J) project, which aims to expand Bangladesh's export basket, has once again failed to meet its deadline and become costlier due to slow implementation.

The Tk 941 crore project has seen only 25 per cent progress following its previous six-year completion schedule, according to planning ministry documents.

The project will be placed before the Executive Committee of the National Economic Council tomorrow for its second revision.

If approved, the project cost will increase by Tk 93 crore to Tk 1,105 crore while its completion deadline will be set for June 2025.

Although the commerce ministry blamed the coronavirus pandemic and difficulties in land acquisition for the delay, the planning commission and experts say it is actually because of lax implementation by the concerned agency and ineptitude of project planners.

Funded by the World Bank, the project was undertaken in 2017 to support the government's export diversification target and create around 90,000 jobs in certain sectors.

The project was designed to enhance the growth and competitiveness of four sectors as well as create more and better job opportunities in the leather and leather goods, footwear, light engineering and plastic sectors.

The government is prioritising export diversification as the garment sector accounted for 84 per cent of the $52 billion in export receipts last fiscal year, shows data from the Export Promotion Bureau.

As per the project proposal, the ministry had earlier planned to establish four technology centres in Kaliakair and Kashimpur of Gazipur, Mirsharai of Chattogram, and Sirajdikhan of Munshiganj to provide local enterprises with access to modern technologies, advanced skills and other relevant business development services.

However, the commerce ministry declined the plan and instead decided only to establish the two centres in Gazipur.

"There is a major gap in project designing by the commerce ministry," said

The Tk 941 crore project has seen only 25 per cent progress following its previous six-year completion schedule, according to planning ministry documents.

a top official of the planning commission seeking anonymity.

Although land acquisition was an issue, there was also a lack of urgency to implement the project.

And due to the slow implementation, the country will have to pay more domestic currencies against the World Bank's debt in the future, the official added.

Besides, the project director has been changed at least four times.

Acknowledging the slow implementation, Md Monsurul Alam, current project director of the EC4J, said they have acquired more than 30 acres of land, which was the main barrier for progress along with the coronavirus effect.

"We do not have any problems now and we planned to set up two technology centres," said Alam, who is the fifth project director of the EC4J.

Asked about the additional budget, Alam said the cost has increased due to the appreciation of the US dollar.

Additionally, the World Bank has not increased its funding for the project.

Alam, also additional secretary of the commerce ministry, then claimed they have completed around 40 per cent of the project.

Mohammad Abdur Razzaque, director of the Policy Research Institute of Bangladesh, said there is no objection on the project's merit but quickly implementing it is a burning issue ahead of Bangladesh's graduation from a least developed country (LDC) in 2026.

"The implementing agency should implement the project on a priority basis by linking it with preparations for LDC graduation," he added.

Razzaque suggested doing a quick revision on the project to adjust the components regarding the challenges of LDC graduation.

Shahjalal Islami Bank gets new DMD

STAR BUSINESS DESK

Shahjalal Islami Bank recently promoted an official to the post of deputy managing director.

The promotee, Rashed Sarwar, was previously serving as the head of Chattogram zone and manager of an Agrabad branch, said a press release.

He joined Shahjalal Islami Bank in 2002. He started his banking career as an officer in American Express Bank in 1994. He also worked for Al Baraka Bank Bangladesh from 1996 to 2002.

He obtained bachelor's and master's degrees in management from the University of Dhaka.

Brac Bank launches new financial product

STAR BUSINESS REPORT

Brac Bank has introduced a financial product called "Tally Loan – Druti" to promote greater financial inclusion in Bangladesh.

This business loan is designed specifically for small traders, often overlooked by formal financial institutions, Brac Bank said in a press release yesterday.

"Tally Loan – Druti" is based on the traditional bookkeeping books of small traders called "Tally Khata", which has been used in Bangladesh for over a thousand years.

Small business owners can now use their "Tally Khata" as proof of transactions and creditworthiness to apply for a bank loan, it said.

Brac Bank's relationship officers will visit small businesses, assess their credit needs based on "Tally Khata" records, and fill out loan applications, it added.

The bank also helps customers obtain necessary documents, such as trade licenses for loan applications.

Male entrepreneurs with at least two years of experience and women with one year of experience are eligible for loans up to Tk 15 lakh without requiring any mortgage, which can be repaid within two years.

The service has been launched in Narayanganj. The bank has also planned to further expand the service to the Cumilla and Narsingdi.

This loan has helped small business owners overcome mental barriers and access financing support, empowering them to break free from the cycle of debt from loan sharks, it said.

Syed Abdul Momen, deputy managing director of Brac Bank, said their commitment to financial inclusion is redefining banking and creating a fairer and more equal world.

Soybean oil remains dearer

FROM PAGE B1

In June last year, the price of soybean oil was Tk 205 per litre while it is now Tk 180. So, it can be assumed that the price will fall further as the Tariff Commission sets the price in coordination with the international market, he added.

As the foreign exchange reserves have depleted fast, the local currency lost its value by about 25 per cent against the US dollar in the last one year with the highest depreciation taking place between August and September.

The international market has been stable for the last two months and prices are also declining. So, its impact would have been fully achieved if the price per dollar was Tk 85.

"We currently have to buy the greenback at Tk 117 to Tk 118 per dollar," said Md Shafiul Ather Taslim, director for finance and operations of TK Group, another major commodity importer and processor.

He then said they had recently bought soybean for $1,300 per tonne on average. The product will arrive in Bangladesh after Eid.

"So far, the local market is stable and there is no crisis of the product [edible oil]. This is a huge thing as just a few days ago, if letters of credit were opened, banks would make payments within 180 days. Now, it has reached 270 to 360 days," Taslim added.

He went on to say that their gas bill which cost Tk 1 crore in February increased to Tk 3.5 crore in March.

"So, how can consumers fully benefit from the price reduction?" Taslim asked.

When the price of a product increases in Bangladesh, it increases very quickly. But when the price falls, traders take a lot of time to adjust it.

Besides, it is often seen that they do not even make the whole adjustment in order to secure more profit.

"Here, the trend of making huge profits has developed," said Ghulam Rahman, president of the Consumers Association of Bangladesh.

Therefore, the government has to acquire the ability to be directly involved in the market. Otherwise, consumers will never be able to reap the benefits of price reductions in the international market, he added.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, said imports of soybean oil are dependent on three to four big businesspeople.

So, there is an opportunity for them to influence prices in the market.

"Here, the government should check whether they are making more profit in the current situation," he added.

Moazzem then said due to the higher US dollar price along with its shortage, traders are not being able to open letters of credit on demand. So, there may be a tendency among importers to give slow supply to the market considering future prospects.

"Therefore, the impact of the price reduction in the international market did not fall as much as it was supposed to in the country's market," he added.

Interest cap, NPLs did more damage

FROM PAGE B1

Still, default loans in the banking sector jumped 17 per cent year-on-year to Tk 120,656 crore in 2022. The ratio of bad loans rose to 8.16 per cent in December from 7.93 per cent in the same month in 2021, data from the Bangladesh Bank showed.

Banks made a turnaround in the January to September period of 2022 riding on the higher income from foreign exchange dealings, an analysis of their financial reports showed.

The listed banks generated incomes worth more than Tk 4,900 crore in the nine months, up 206 per cent from the Tk 1,632 crore seen in the identical period a year earlier.

Banks also increased charges for most of their services, such as internet banking, SMS service and statements, pushing up their incomes.

There are about 60 banks in Bangladesh.

Private commercial banks control 75 per cent of the money market and major private commercial banks are listed with the stock market, so their data depicts the real scenario of the overall banking industry, according to Amin.

STRUGGLE CONTINUE FOR MOST NBFIS

The NBFI sector was already in a tight corner because of the irregularities at some companies. Their crisis deepened when Covid-19 arrived on the shores of Bangladesh. And the impacts of the crisis were more severe in the case of NBFIs than banks.

Among 21 listed NBFIs, 16 booked higher profits in 2018. The number fell to five in 2019, 11 in 2020 and six in 2021. The number of NBFIs that posted higher profits in the January-September period of 2022 stood at four.

In 2020, NBFIs were impacted by three major shocks: the single-digit interest rate, the impact of the pandemic and negative news that surfaced centring some low-performing financial companies.

"The NFBI sector was mainly hurt by the erosion of confidence when news came about the irregularities of a few companies," said Mominul Islam, chairman of the Bangladesh Leasing and Finance Companies Association.

In January 2020, the Anti-Corruption Commission filed five cases against PK Halder and 32 others for laundering about Tk 350 crore from International Leasing Financial Services, an NBFI. Later, it found that they siphoned off more than initially thought.

"Individual and corporate depositors started to withdraw deposits and the flow of new deposits dried. As a result, most NBFIs passed a tough period in 2020," Islam said.

Some large NBFIs, however, did not face much trouble as they maintain good governance and have a good reputation. Rather, they received more deposits that departed trouble-hit companies.

The pandemic also hurt the business of NBFIs to some degree, said Islam, also the managing director of IPDC Finance.

After the scams became known, the central bank carried out a thorough inspection in order to restore good governance. This exposed the flaws of many NBFIs, handing a blow to their profits.

Besides, the regulator toughened rules. In the cases such as keeping deferred tax and provisioning, the rules are tougher for NBFIs than those faced by banks, according to Islam.

"Though it has impacted the profitability of the sector, it will bring benefit in the long run."

Mutual funds were hit in the last few years as the stock market suffered.

Among the listed 36 mutual funds, 32 saw lower profits in 2019. Their number fell to 10 and 8 in 2020 and 2021. All mutual funds reported lower profits last year.

Mutual funds pool money from investors to channel them into securities such as stocks and bonds. Depending on the profits earned, investors are paid their shares as dividends.

"Mutual funds do business in the stock market. Since the market did not perform well most of the time in the last few years, asset managers had nothing to do," said Mohammad Emran Hasan, chief executive officer of Shanta Asset Management Limited.

Ceiling of loans

FROM PAGE B1

The reserves stood at $31.24 billion on April 5, down nearly 30 per cent from $44.22 billion a year earlier, Bangladesh Bank data showed.

Under the circumstances, the BB yesterday said it had decided to reset the ceiling at $10 million from $15 million for input procurement under back-to-back LCs (BBLCs) against export orders.

The move is aimed at bringing a wider range of customers for EDF loans, it said in a notice.

BBLCs involve two letters of credit to secure financing for a single transaction. These are usually used in a transaction involving an intermediary between the buyer and seller.

The limit for imports under BBLCs by individual member mill of the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association has been kept unchanged at $20 million and $15 million, respectively.

It has been set at $15 million for individual exporters of leather goods and footwear sectors.

In addition, the maximum eligible limit for bulk imports by a member of the Bangladesh Textile Mills Association has been kept unchanged at $20 million, where it was slashed for a member of the Bangladesh Dyed Yarn Exporters Association to $10 million from $20 million.

Rules eased for banks' import

FROM PAGE B1

offshore banking units that can source foreign currency from abroad through different ways such as loans.

If they have funds at their offshore banking units, the easing of rules will enable them to place more foreign currency to their domestic business units from OBUs to settle import payments.

This will increase availability of forex at their domestic banking units and allow them to clear import obligation, the official added.

Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank Ltd, said they urged the central bank for relaxation of settlement of import payments.

"This is a good step. It will help us manage foreign currency liquidity in a more efficient manner," he said.

BTMA demands drives

FROM PAGE B1

Ensuring the use of the local yarn will require the export-oriented garment factories to open back-to-back letters of credit, the first by using the order placed by the buyer and the second for the import of yarn, said the BTMA.

This will save the local primary textile sector and reduce use of the US dollar in this period of crisis, it said.

The local textile sector has been facing the severe impacts of the Russia-Ukraine war because of the dollar crisis and abnormal hikes in energy prices, which goes on to raise the cost of production, said the BTMA.

However, the price of yarn and garments did not increase in tune with the rise in the cost of production while the inflow of work orders from international clothing retailers and brands has also fallen.

The millers are also receiving a lower number of orders from customers. So, the mills have been facing the liquidity crisis but are having to pay salaries of employees, festival bonuses and utility bills, the letter said.

The BTMA said the local millers can supply 100 per cent cotton yarn as they have invested a lot of money in this sector.

Earlier, in a letter to Bangladesh Bank (BB) on April 3, the BTMA urged temporarily suspending the import of cotton yarn so the local mills could survive in this period of crisis.

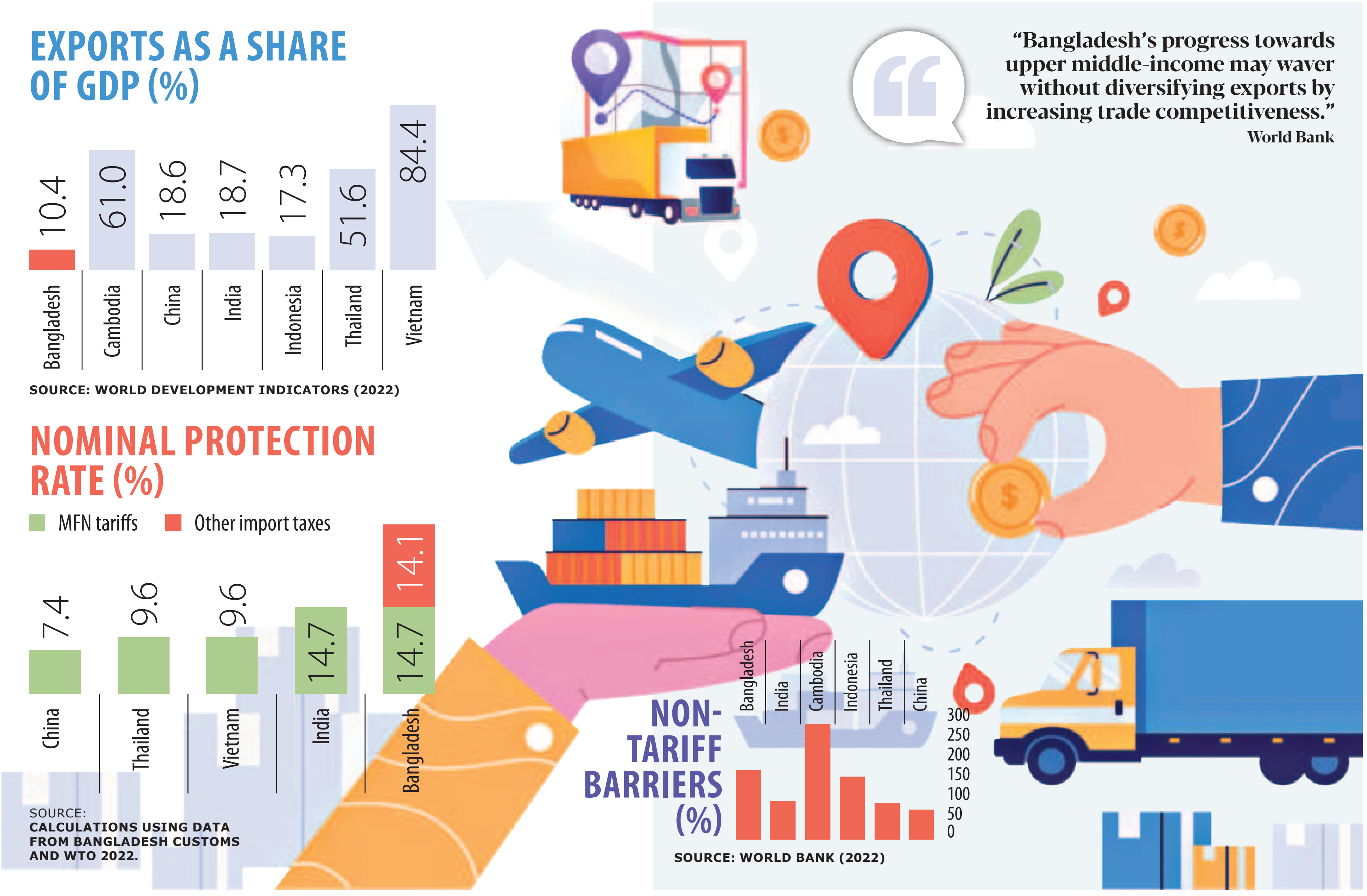
Monsoor Ahmed, chief executive officer of the BTMA, said the local stockpile of yarn used in the production of fabrics for the local market was worth Tk 8,000 crore.

He declined to mention the amount of yarn produced for the export-oriented garment factories but left unsold.

He said there was one mill which had 65 lakh pounds of yarn in stock produced for the local market.

Monsoor said currently yarn was imported through three land ports -- Benapole, Bhumra and Sona Masjid.

Millers said they were utilising just 50 per cent of their production capacity for a significant drop in the sale of yarn.



Bangladesh's trade competitiveness eroding

World Bank cites factors such as higher import tax, NTBs, over-reliance on RMG

STAR BUSINESS REPORT

Bangladesh's competitiveness in trade is eroding for factors such as higher import taxes and non-tariff barriers, excessive dependence on readymade garments, and the delays facing exporters while complying with border and documentary requirements, said the World Bank recently.

The multilateral lender also warned that competitiveness would narrow further after graduation of the country from the group of least-developed countries in 2026.

For Bangladesh, trade has been a driving force behind economic growth, job creation and poverty reduction.

"However, recent years have seen a decline in trade performance and an over-reliance on ready-made garment exports, raising concerns about the sustainability of this growth model," said the WB.

The concerns were expressed in a topic titled "Trade Reform in Bangladesh: An Urgent Agenda" in the WB's Bangladesh Development Update unveiled last week.

It said the erosion of competitiveness based on low wages and the impending loss of trade preferences due to the expected graduation are challenging the status quo.

"Factors such as high import taxes and non-tariff barriers have protected domestic industries at the expense of emerging exports. Bangladesh's progress towards upper middle-income may waver without diversifying exports by increasing trade competitiveness."

Trade performance in Bangladesh has been on a downward trend since 2011, both in comparison to the country's historical performance and overall economic growth.

And the country's trade activity remains heavily focused on goods, with manufacturing exports and employment generation driven by preferential access to advanced economies' markets and low labour costs. However, the contribution of manufacturing exports to growth has been decreasing for the past five years.

Both goods and services trade as a percentage of the gross domestic product have been decreasing since 2011, remaining well below the levels seen in other countries at similar levels of development, the report said, citing the names of India, Vietnam, Cambodia and Indonesia.

In Bangladesh, exports are concentrated in the readymade garment sector, making up 83.6 per cent of total merchandise exports in 2022, similar to previous years.

"The country also does not have any export superstars, other than garments, and the survival of new entrants is relatively low," the report said.

The protection of import-substituting industries has limited the growth and development of emerging export industries, resulting in a lack of diffusion of technology for the production of exports, it said.

Bangladesh's share of medium and high technology exports in the total manufacturing exports stands at just 2.9 per cent, one of the lowest in the world.

> **Recent years have seen a decline in trade performance and an over-reliance on ready-made garment exports, raising concerns about the sustainability of this growth model**
>
> World Bank

The key factor for the erosion of competitiveness is high tariff protection.

Bangladesh has six ad-valorem tariff rates that are charged as a percentage of the prices ranging from zero to 25 per cent. But non-transparent para-tariffs such as regulatory and supplementary duties add additional import charges and increase the complexity of the tariff structure.

Para-tariffs, which are border charges and fees other than tariffs, increase the number of tariff rates and double the average nominal protection rate on imports from 14.7 per cent to 28.8 per cent.

The average tariff rate on intermediate goods is more than double the 7.4 per cent seen in China and nearly double the rate of Thailand and Vietnam.

"The prevalence of para-tariffs incentivises import substitution and deepens anti-export bias," the WB said.

"With the exception of a free trade regime in the readymade garment with a special bonded warehouse facility enabling duty-free access to imported raw materials and components, the trade policy stance perpetuates a high degree of protection of domestic or import-substituting industries at the expense of emerging and potential export industries. This is a key reason for the country's high export concentration in the RMG sector."

Another issue is tariff escalation, it said, adding the difference between tariffs on inputs and outputs has increased over time, leading to a high degree of protection, primarily for domestically produced consumer goods.

Para-tariffs substantially increase tariff escalation in some sectors, like transport equipment and textiles, where average nominal protection for final goods is five to 10 times higher, respectively, than for intermediate goods, it added.

The WB report also touched upon the blow competitiveness will receive once it becomes a developing nation within four years.

The country is expected to face a tariff hike of about 10 per cent for most clothing products in the European Union after three years of transition since 2026.

READ MORE ON B2

IDLC Finance logs Tk 191cr profit

STAR BUSINESS REPORT

IDLC Finance Ltd posted a Tk 191.64 crore profit in the financial year that ended on December 31 of 2022, down 9.43 per cent year-on-year.

The non-bank financial institution made a profit of Tk 211.59 crore in 2021.

The company, thus, reported consolidated earnings per share of Tk 4.61 for 2022 against Tk 5.09 a year earlier.

The consolidated net asset value per share improved to Tk 43.56 last year from Tk 40.39 in 2021 while the consolidated net operating cash flow per share turned a negative of Tk 21.10 from Tk 44.90 during the period.

The board of directors of IDLC Finance has recommended a 15 per cent cash dividend for the year that ended on December 31, according to a filing on the Dhaka Stock Exchange.

Pragati Ins makes Tk 37cr profit

STAR BUSINESS REPORT

Pragati Insurance Ltd clocked a profit of Tk 37.06 crore in 2022, down 1.22 per cent from a year earlier.

The insurer made a profit of Tk 37.52 crore in 2021.

Thus, the company reported earnings per share of Tk 5.65 for the last financial year compared to Tk 5.72 in 2021.

The net asset value per share of Pragati Insurance rose to Tk 59.01 in 2022 from Tk 57.32 a year ago while the net operating cash flow per share declined to Tk 6.84 from Tk 12.09 during the period.

Pragati Insurance's board of directors has recommended a 25 per cent cash and a 5 per cent stock dividend for the year that ended on December 31.

Demand rises in China's bulk commodity market

ANN/ CHINA DAILY

China's bulk commodity market saw improving fundamentals in March with a marked increase in sales as demand rebounded, industrial data showed.

The China Bulk Merchandise Index, a gauge of domestic bulk commodity market growth, rose to its highest level since August 2020, according to the China Federation of Logistics and Purchasing.

The index stood at 103.4 per cent for March, up 0.6 percentage points compared with February.

A reading above 100 indicates expansion, while a reading below 100 reflects contraction.

Tesla to build gigafactory in Shanghai

REUTERS, *Shanghai*

Tesla Inc will build a gigafactory in Shanghai to make the Megapack energy storage product, Chinese state media outlet Xinhua reported on Sunday.

Elon Musk's automaker will break ground on the plant in the third quarter and start production in the second quarter of 2024, Xinhua reported from a signing ceremony in Shanghai.

The factory will initially produce 10,000 Megapack units a year, equal to around 40 gigawatt hours of energy storage, to be sold globally, Xinhua said.

BANGABAZAR FIRE

FBCCI offers Tk 1cr grant for victims

DCCI requests BB's regulatory support

STAR BUSINESS DESK

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) will provide a grant of about Tk 1 crore to rehabilitate around 5,000 small and micro businesses affected by last Tuesday's fire which burned down the Bangabazar market in Dhaka.

FBCCI President Md Jasim Uddin made the announcement during a visit to the market yesterday, the apex trade body said in a press release. He also urged all businesspeople to extend their support.

> **Around 5,000 small and micro businesses were affected in last Tuesday's fire which completely burned down the market in Dhaka**

However, the Dhaka Chamber of Commerce & Industry (DCCI) yesterday urged Bangladesh Bank to issue directives and guidelines for commercial banks and non-banking financial institutions (NBFIs) to financially support the quick rehabilitation of the Bangabazar fire victims.

Around 5,000 small and micro businesses were affected in last Tuesday's fire which completely burned down the market in Dhaka.

READ MORE ON B2

Like other nearby establishments, these shops opposite to Bangabazar shopping complex in Dhaka's Gulistan area were damaged during a recent fire that broke out at the popular apparel retail hub. Here, workers are seen conducting repairs in hopes of reopening the store before Eid-ul-Fitr. The picture was taken yesterday.

PHOTO: AMRAN HOSSAIN

Commodity prices fall further globally

STAR BUSINESS REPORT

Energy prices declined 6.3 per cent in March, led by natural gas in Europe and coal, the World Bank's Pink sheet reported.

Natural gas in Europe fell 16.5 per cent while coal slid 9.8 per cent. Non-energy prices dropped 2.2 per cent, with all key components registering losses, said the monthly report, which monitors commodity price movements.

Agricultural prices eased 1.6 per cent in March. Food and raw material prices declined 2 per cent and 1 per cent, respectively, while beverage prices remained largely unchanged.

Fertiliser prices declined 3.6 per cent, led by Urea, which went down by 12.3 per cent and Muriate of potash, which was down 8.8 per cent.

Metal prices dropped 3.2 per cent last month, led by declines in the prices of nickel, tin, zinc, and aluminium.

Nickel prices fell 12.9 per cent, tin closed 10.7 per cent lower, zinc was down 5.3 per cent, and aluminium shed 5 per cent.