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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.

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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

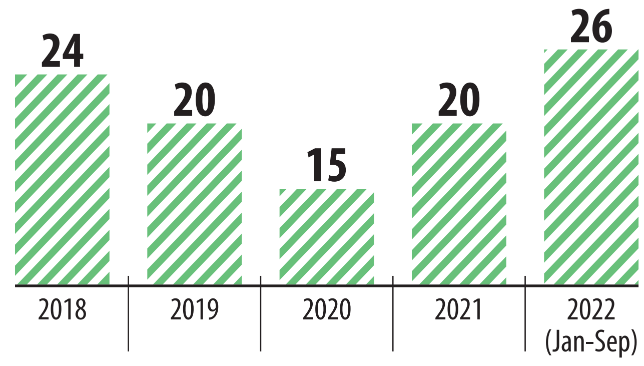
NBFIs WERE BATTERED BY

- 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.

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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

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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.

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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.

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