



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 1,034 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.

Soybean oil remains dearer

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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 Shafiqul 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.

Rules eased for banks' import

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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.

Interest cap, NPLs did more damage

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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 services 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 NBFIS 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 NBFIS sector was mainly hurt by the erosion of confidence when news came about the irregularities of a few companies," said Momtazul 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 NBFIS. 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.

BTMA demands drives

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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

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.

Ceiling of loans

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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 (BBLs) against export orders.

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

BBLs 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 BBLs 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.

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.