

# Star BUSINESS



## CPD raises flag over US turning into top remittance source

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday raised the flag over the US replacing Saudi Arabia to become Bangladesh's foremost source of remittance in the July-April period of the current fiscal year.

A vested quarter might be sending back black money, which they had earlier illegally taken out of the country, in the form of remittance availing an existing 2.5 per cent government incentive, said the think-tank.

A total of 9.22 lakh people went abroad for work during the first 10 months of the current fiscal year of 2022-23, which is significantly high, said Fahmida Khatun, executive director of the CPD.

A majority of these people went to the Gulf countries but the remittance flows from this region did not match this rising number, she said.

During this period, remittance coming from Saudi Arabia came down to \$3.04 billion from \$3.86 billion in the same period of fiscal year 2021-22, said the CPD's study.

Meanwhile, remittance from the US increased to \$3.05 billion from

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## Premier Cement to get Tk 350cr loan from Idcol

STAR BUSINESS REPORT

Premier Cement PLC will get a Tk 350 crore long-term loan for expanding production at two new units.

Infrastructure Development Company Limited (Idcol) is providing the loan.

An agreement was signed between Idcol and Premier Cement to this end at Pan Pacific Sonargaon Dhaka yesterday.

"We have already started production at the two units in Narayanganj and Chattogram involving Tk 1,300 crore," said Mohammed Amirul Haque, managing director of Premier Cement.

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## AT A GLANCE

- Commercial production of new unit begins in November this year
- Expansion to help raise exports and local market share

## INVESTMENT

- Total amount: Tk 764cr
- EBL-led syndication provided Tk 25cr

## PRODUCTION CAPACITY

- Existing production capacity 11,000 tonnes per day
- Production capacity to reach 19,500 tonnes per day after expansion



**EARNINGS PER SHARE**  
Tk 1.52 in Jan-Mar 2023 | Tk 0.16 in Jan-Mar 2022

## Crown Cement in Tk 764cr expansion Will raise production capacity by 40%

STAR BUSINESS REPORT

Crown Cement PLC is going to increase its annual production capacity by 40 per cent this year by establishing its sixth manufacturing facility, which will turn it into the country's fourth largest cement manufacturer.

The company will go for the expansion investing around Tk 764 crore which is being availed from local and foreign banks.

A "significant" portion is being secured from an overseas lender while Tk 25 crore from a syndicated loan facility.

Eastern Bank Limited (EBL) arranged the syndicated loan facility and a deal was signed in this regard at Sheraton Dhaka on May 25, according to a press release.

The others involved in this facility are the State Bank of India, Bank Asia Limited and Dhaka Bank Limited.

"We are increasing the capacity of production to meet growing demand for cement in Bangladesh and boost exports to neighbouring 'The Seven Sisters' Indian states," said Mohammed Jahangir Alam, chairman of Crown Cement.

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The government is likely to introduce a carbon tax for the owners who possess more than one car in the upcoming fiscal year with a view to discouraging the ownership of multiple vehicles and curbing carbon emissions and air pollution. Nearly 100 passenger cars, jeeps and minibuses hit the streets of Bangladesh on average daily in 2022.

PHOTO: ANISUR RAHMAN

# Surcharge likely on second car

Govt plans measures to contain carbon emissions

SOHEL PARVEZ

Owners of more than one car are likely to face an environmental protection surcharge from the upcoming fiscal year as the government plans to discourage the use of vehicles in a bid to contain carbon emissions and air pollution.



According to the plan, the owners of multiple passenger cars, jeeps and minibuses may have to pay the surcharge depending on their engine capacity.

"We are considering imposing a carbon tax to



discourage the rising use of personal vehicles and curb pollution. This tax exists in various other countries too," said a senior official of the finance ministry.

The finance minister is expected to propose the surcharge while placing the budget for 2023-24 in parliament on June 1.

"We are planning to collect the surcharge from all car

owners, including companies and firms. If a company has more than one vehicle, it is likely to come under the carbon tax," the official added.

Officials said the carbon tax is imposed on industries too in other countries. But Bangladesh may introduce the tax in FY24 and start with jeeps and cars.

The move comes at a time when an increasing number

of personal cars are hitting the streets, particularly in the capital city, which suffers from serious air pollution and huge traffic congestion.

Bangladesh has more than 57 lakh registered vehicles and the number of personal passenger cars, jeeps and minibuses stands at over 600,000, data from the Bangladesh Road Transport Authority showed.

The finance ministry official said the partial operation of the metro-rail has already improved the public transport system in Dhaka and it would give a further boost when it runs in full swing.

As per the finance ministry's plan, owners of cars up to 1,500cc may need to pay Tk 25,000 in surcharge for every

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## National BUDGET FY2023-24

### FY23 budget was a disappointment Says PRI vice-chairman Sadiq Ahmed

STAR BUSINESS REPORT



The national budget for the current fiscal year has been a disappointment as it did not address the macroeconomic crisis emanating from the joint impacts of global inflationary pressure and Russia's invasion of Ukraine.

"The budget should have adopted an austere stance with an effort to tighten domestic demand through an increase in taxes and the reduction of subsidies and fiscal deficit. The FY2023 budget did not deliver on any of the above," said Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, a think-tank.

In an interview with The Daily Star, he said evidence shows that the tax to gross domestic product (GDP) ratio is falling from its already very low levels.

For FY2023, the most likely outcome would be a further reduction in the tax-GDP ratio to a mere 7.1 per cent as compared with 7.6 per cent in FY2021 and 7.7 per cent in FY2019.

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STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▲	
0.56%	0.58%	
6,325.73	18,637.95	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,946.67	\$72.85	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 1.02%	▲ 0.37%	▼ 0.33%	▲ 0.35%	
62,501.69	30,916.31	3,207.39	3,212.50	

## National BUDGET FY2023-24

### 'Corporate tax cut of FY23 was good, but conditions didn't help'

STAR BUSINESS REPORT

The reduction of tax payable by companies by 2.5 percentage points at the beginning of this fiscal year of 2022-23 was a good move but a precondition on limiting cash transactions has not helped businesses reap the benefit.

"It did not help the business



Aameir Alihussain

community," said Aameir Alihussain, managing director of Bangladesh Steel Re-Rolling Mills Ltd, commonly known as BSRM.

The top official of one of the largest steel mills in Bangladesh shared the view in an interview with The Daily Star on the impact of tax measures taken by the National Board of Revenue (NBR) on businesses.

The 2.5 percentage points cut offered by the tax authority brought down the applicable corporate tax rate for companies listed on the stock market to 20 per cent and for non-listed companies to 27.5 per cent.

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"সকল প্রশংসা আল্লাহ তা 'আলার যিনি সমগ্র সৃষ্টিজগতের পালনকর্তা"

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## FBCCI hands over Tk 1cr donation to Bangabazar fire victims

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has handed over a Tk 1 crore cheque that it promised to give to the traders who got affected by the recent fire incident at Bangabazar clothing market in Dhaka.

FBCCI President Md Jashim Uddin handed over the cheque to the leaders of the Bangabazar Complex Dokan Malik Samity yesterday at the FBCCI office in the capital.

A massive fire ripped through the capital's Bangabazar Shopping Complex on April 4 this year, burning down 2,931 shops full of clothes and ruining the livelihood of several thousand traders just weeks before Eid-ul-Fitr.

At the event, Jashim Uddin urged the business leaders and market committees to be aware of the risky markets and to do necessary reforms.

FBCCI Senior Vice President Mostofa Azad Chowdhury Babu said the fire service unit has marked the Bangabazar market as risky and warned several times about its dilapidated condition, but the market committee did not pay heed to the matter.

He urged everyone to be more responsible instead of blaming the government for such accidents.

Bangladesh Dokan Malik Samity President Helal Uddin said the existing markets in the capital are being inspected.

If any type of risk is noticed, they will be warned as well as instructions will be given to reform the markets within a stipulated time.



## US, China wrangle on trade issues

AFP, Washington

The United States and China sparred over trade issues Friday but promised to keep lines of communication open as Beijing's commerce minister paid a rare visit after a period of soaring tensions.

Minister Wang Wentao met US Trade Representative Katherine Tai on the sidelines of an Asia-Pacific Economic Cooperation trade meeting in Detroit, a day after he saw his counterpart Gina Raimondo in Washington.

Tai "discussed the importance of the US-China trade relationship in the global economy and the need for both sides to continue engaging with one another," her office said in a statement.

China's state-run Xinhua agency said that the meeting in Detroit was "candid, pragmatic and in-depth."

It said Wang raised concern about US trade policies as well as in Taiwan, the self-ruling democracy which Beijing claims and has not ruled out taking by force. Both Tai and Raimondo in turn voiced concern about China's actions against US companies. China recently restricted purchases from US chip giant Micron, citing security risks.

The move was widely interpreted as retaliation after President Joe Biden imposed a sweeping ban on China's access to US advanced semiconductors, fearing that Beijing will put them to military use and dominate the global market for emerging technologies.

It was one of the first visits by a high-ranking Chinese official since Biden took office, although the environment minister traveled to Washington last year.

High-level dialogue ground to a halt during the Covid-19 pandemic as Chinese officials stayed home and Biden's predecessor Donald Trump sharply raised the tone against Beijing, including over the virus.

## China steel prices hit three-year low on demand woes

REUTERS, Beijing

Steel rebar prices in China hit their lowest in three years this week, underscoring flagging growth in the world's second-largest economy, particularly in its weak property sector.

The spot price of HRB400 20mm steel rebar - used to reinforce concrete for buildings and infrastructure - fell to 3,510 yuan (\$507.80) per tonne in Shanghai on Thursday, data from consultancy Mysteel showed.

That's the lowest since April 2020, when the start of the Covid-19 pandemic in China had curbed most industrial activity.

Disappointing demand in what is normally the peak construction season during March and April kicked off the decline, reflected in steel rebar futures falling nearly 17 per cent since late March, with any recovery some months off as China enters its typically slow summer months.

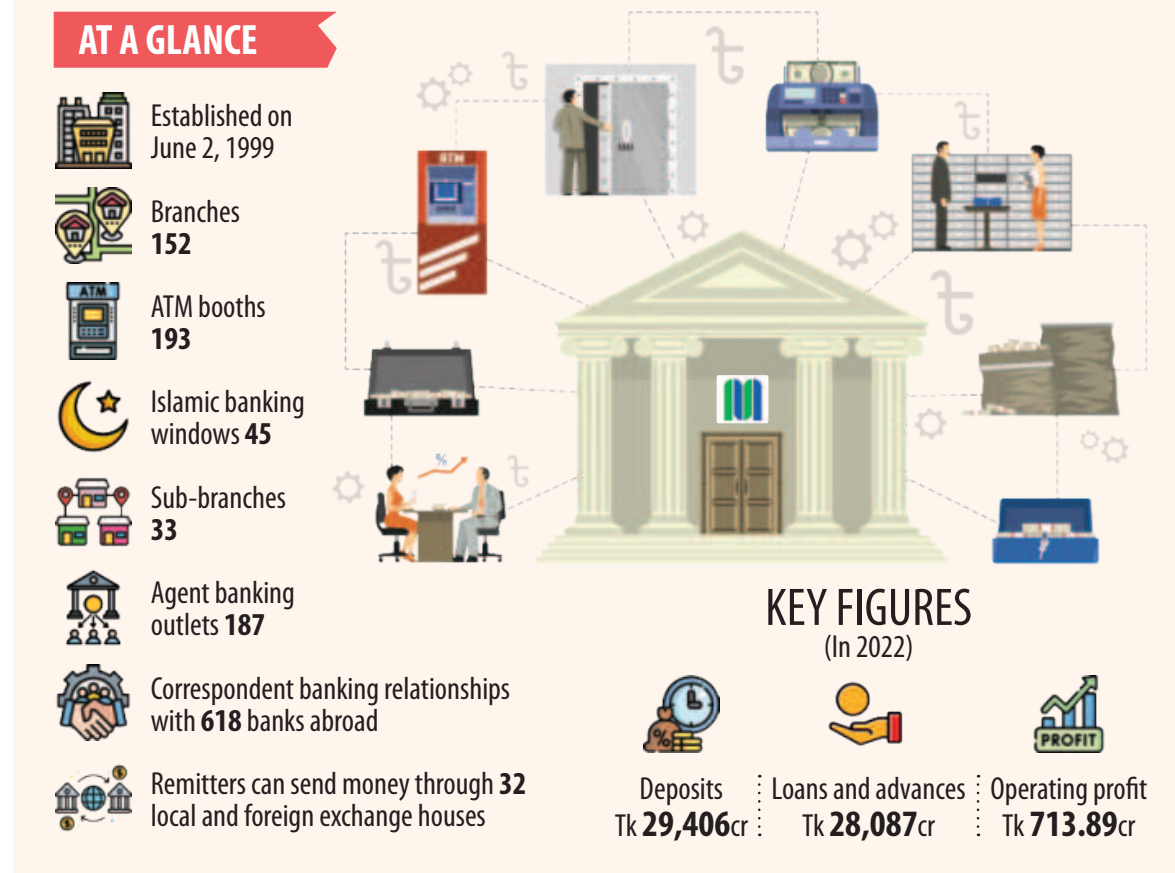
"China's situation is quite bad. The outlook for steel demand in China has deteriorated compared to three months ago," Takahiro Mori, executive vice president of Japan's Nippon Steel Corp, told Reuters on Wednesday.

Property and infrastructure account for about 60 per cent of demand in the world's largest steel sector but infrastructure stimulus has slowed and the property market is showing little growth.

China steel demand declined by 3.4 per cent in April from a year earlier versus an increase of 8.7 per cent in March, analysts at Huatai Futures said in a research note on May 21.

Demand in May fell 2.5 per cent on the year, they said.

## MERCANTILE BANK



## Mercantile Bank puts customers, operational efficiency at heart

MD and CEO Md Quamrul Islam Chowdhury talks to The Daily Star

STAR BUSINESS REPORT

Raising the standard of customer service and operational efficiency, beefing up risk management and continuing digital transformation will be at the heart of the strategies of Mercantile Bank Ltd as it looks to power its growth in the coming years, said its top executive.

"Ensuring smart banking through bringing in technological excellence will be our priority," said Md Quamrul Islam Chowdhury, managing director and chief executive officer of Mercantile Bank, in an interview with The Daily Star recently.

"Besides, we will continue our endeavours to strengthen our position in the banking sector by elevating the skills of the workforce and striking a balance between risks and profits."

He said the bank would cut its reliance on corporate deposits and redirect its focus to retail deposits as well as broaden the capital base and bring down the non-performing loans.

The comments from the top official come as Mercantile Bank is set to celebrate its 24th founding anniversary next week.

According to Chowdhury, a group of visionary entrepreneurs set out in 1999 to contribute to the economy of Bangladesh in a sustainable way. Mercantile Bank, which was set up on June 2 of the same year, was the result of that particular vision.

Since its inception, the bank has created a credible brand impression and achieved

customers' trust and loyalty.

"Mercantile Bank has been driven by a bold transformation strategy, dynamic leadership and decisive management interventions and all of these have put us in a sound position and paved the way for us to tap opportunities."



Md Quamrul Islam Chowdhury

The top banker says the core strengths of Mercantile Bank are strong brand value, an experienced board of directors, a pool of efficient human resources, a wide range of branches and ATM network, products and services at competitive prices, a strong financial position to meet liabilities, a high-quality credit rating, and strict ethical and moral practices.

Mercantile Bank is rated by the international rating agency Moody's which reflects the private commercial bank's good profitability, well-matched maturity profile, modest asset quality, and solvency profile.

The bank serves a large customer

base comprising individuals and institutions through a network of 152 branches, supplemented by 193 ATM booths, 45 Islamic banking windows, 33 sub-branches, and 187 agent banking outlets.

It is also providing services through three subsidiaries, two offshore banking units, internet banking and mobile banking. It has put in place a network to reach unbanked and under-banked sections of society.

Chowdhury said from the beginning, Mercantile Bank has adopted modern technologies to provide fast-track customer-centric services. As part of the process, it introduced real-time online banking services and set up ATM booths.

The bank's core banking software -- TEMENOS T24 -- is a world class proven technology platform and it has been upgraded and fine-tuned to achieve efficiency in its operations.

The bank has rolled out the internet banking service "MBL Rainbow" to allow customers to carry out banking services from the convenience of their homes or workplaces.

"This has made banking more customer-friendly and digitalised. It is in line with the country's goal of becoming a cashless society."

Chowdhury is optimistic about the prospects presented by the country's projected economic growth.

He said though the global crisis has made the prospect for 2023 a bit gloomy, the continuation of the

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## Handling non-performing loans

MAMUN RASHID

Though it is deemed to be much higher in numbers, Bangladesh's banking sector reportedly has the second-highest ratio of non-performing loans (NPLs) in South Asia, with only Sri Lanka having a greater ratio. This was revealed in a recent World Bank report which also found that Bangladesh had the highest NPL ratio among non-banking financial institutions (NBFIs) in the region.

NPL rates in most South Asian countries stayed below the 2021 levels and the 10 per cent threshold, often used to signify systemic stress in the region. Bangladesh and Sri Lanka were the only outliers, with the Bangladesh NPL ratio exceeding the 2021 level and being perilously close to the 10 per cent threshold (at 9.4 per cent).

As of December 2022, defaulted loans at banks had increased 16.8 per cent year-on-year to Tk 120,656 crore. The ratio accounted for 8.16 per cent of the outstanding loans given out by banks as of December, up from 7.93 per cent a year ago. This happened despite Bangladesh Bank loosening the limits on rescheduling to reduce the rate of default loans in July. Experts have consistently stated that lowering standards will not tame defaulted loans. This is alarming, as most banks here lack a robust risk management culture.

The IMF named the banking sector's issues, which include a substantial amount of NPLs, as one of the three major domestic risks that could cause the economy to crash in the short- to medium-term and stated a medium- to high probability that these issues will spread to the broader economy.

Our troubled past had seen a period of 30 per cent-40 per cent classified loans. However, risk managers at private and foreign commercial banks contributed significantly to improving their asset portfolio despite large growth due to reforms driven by development partners.

As a banker having worked in large global banks and across regions, fellow bankers frequently ask me: "How can we avoid loan defaults?" My nearly 15 years' experience as a risk officer with global banks taught me: Loans usually go bad due to improper need assessment, wrong facility structuring, security/collateral shortfall, weak internal cash generation, lending based on borrowers' names, ignorance about competition, economic downturn, poor loan appraisal, failure to manage foreign exchange risk, lending officer's corruption or ignorance, and poor or no approval condition/covenant compliance/monitoring.

Non-compliance with sustainable finance guidelines can also lead to loan defaults, as social protest groups pressure authorities to close these businesses. Faulty land titles, grabbing of school/prayer places, and non-core businesses to key entrepreneurs have often caused increased project costs or relocation of companies, leading to further defaults.

It is the loan officer's responsibility to ensure the identification and mitigation of any risks connected with the portfolio or firm. Lending officers often become captive to large clients due to their perceived muscle power, or emotional blackmailing. These clients dictate terms and can divert excess money out of the business or falters timely repayment. Loan officers must do an "in-depth" need assessment to determine the client needs. They must review the projected turnover, tenor, and bank financing need of an end-to-end transaction. To penetrate the priority client segment, loan pricing must be reflective of risk or government subsidies must be provided. Many financial institutions in Bangladesh yet lack a risk policy or structured approach to loan appraisal, disbursement, and repayment. They have a large pool of people in their credit departments, yet they rely on the board for each loan approval.

We should also remember that change of heart for willful defaulters is not possible because defaulting willfully is generally profitable. While we should instill proper legal process to recover failed loans, simultaneously big focus should be on the institutions and their failed risk evaluation, governance structure and process.

The writer is an economic analyst.

## The end of King Dollar?

The forces at play in de-dollarisation

REUTERS, London

Rivalry with China, fallout from Russia's war in Ukraine and wrangling once again in Washington over the US debt ceiling have put the dollar's status as the world's dominant currency under fresh scrutiny.

Russia's sanctions-imposed exile from global financial systems last year also fuelled speculation that non-US allies would diversify away from dollars.

Below are some arguments why de-dollarisation will happen - or possibly why it won't.

The dollar share of official FX reserves fell to a 20-year low of 58 per cent in the fourth quarter of 2022, according to International Monetary Fund data.

Stephen Jen, CEO of Eurizon SLJ Capital Limited, said that shift was more pronounced when adjusted for exchange rate.

"What happened in 2022 was a very sharp plummeting in the dollar share in real terms," Jen said, adding this was a reaction to the freezing of half of Russia's \$640 billion in gold and FX reserves following its 2022 invasion of Ukraine. This had sparked a re-think in



A foreign currency dealer counts US dollar notes at a shop in Karachi of Pakistan.

PHOTO: AFP/FILE

countries such as Saudi Arabia, China, India and Turkey about diversifying to other currencies.

The dollar share of central banks' foreign reserves in the final quarter of 2022 did hit a two-decade low, but the move has been gradual and it is now at almost a similar level as 1995.

Central banks put rainy day funds in dollars in case they need to prop up exchange rates during economic crises. If a currency weakens too far against the dollar, oil and other commodities traded in the US currency become expensive, raising living costs and fuelling inflation. Many currencies, from the Hong

Kong dollar to the Panama balboa, are pegged against the dollar for similar reasons. The mighty dollar has had a lock on commodity trading, allowing Washington to hinder market access for producer nations from Russia to Venezuela and Iran.

But trade is shifting. India is purchasing Russian oil in UAE dirham and rubles. China switched to the yuan to buy some \$88 billion worth of Russian oil, coal and metals. Chinese national oil company CNOOC and France's TotalEnergies completed their first yuan-settled LNG trade in March.

After Russia, nations are questioning "what if you fall on the wrong side of sanctions?" said BNY Mellon strategist Geoffrey Yu.

The yuan's share of global over-the-counter forex transactions rose from almost nothing 15 years ago to 7 per cent, according to the Bank for International Settlements (BIS).

De-dollarisation would require a vast and complex network of exporters, importers, currency traders, debt issuers and lenders to independently decide to use other currencies. Unlikely.

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