



Wooden furniture traders are seen sitting idle at a market in Mymensingh city. With sales dropping to nearly zero and banks reluctant to provide loans, small furniture businesses such as this are now facing extinction despite catering to about 65 per cent of the market.

PHOTO: MD AMINUL ISLAM

## LOANS ABOVE TK 1CR NBFIs asked to conduct pre- audit before disbursements

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked non-banks in the country to carry out a pre-audit before disbursing any fund amounting to Tk 1 crore and above so that loan irregularities can be tackled.

The management of internal control and compliance (ICC) at non-bank financial institutions (NBFIs) will conduct the audits, which will ensure funds are disbursed following relevant rules and regulations.

Internal controls are a key element of risk management frameworks that include the processes to assess, mitigate and monitor risks, Bangladesh Bank said in a circular.

If any malpractice is revealed during the pre-audit, the information will have to be sent to the central bank.

Bangladesh Bank also asked NBFIs to set up a dashboard to monitor the loans they disburse.

Chief executive officers and heads of the ICC of NBFIs will follow the dashboard on a regular basis.

The central bank went on to say that some NBFIs are now facing a liquidity crunch due to the high ratio of non-performing loans.

The central bank carried out a review on the issue, which found that many NBFIs did not take collateral securities against the loans.

In some cases, they disbursed the loans violating the single-borrower exposure limit.

A central bank official said the initiative will help NBFIs strengthen their credit discipline and corporate governance as a whole.

# Small furniture makers up the creek

Many struggle for survival as sales plunge

MD AMINUL ISLAM and  
SUKANTA HALDER

Small wooden furniture businesses in Bangladesh are facing a deep financial crisis as the demand for their products has fallen drastically, according to market players.

Mohammad Al Amin Sheikh, a furniture trader in Dhaka's Mohammadpur, said people are giving more importance to buying daily necessities due to the high cost of living amid ongoing inflationary pressure.

Besides, rising production costs have led to increased prices for even cheap wooden furniture.

"If we compare the current situation with that of May last year, then it can be said I am struggling for survival. At present, I am managing the business with loans," he added.

The furniture industry is the country's second-largest job provider after garments, employing about 20 lakh people and contributing about 1.2 per cent of the gross domestic product.

Echoing the same, Mohammad Yaqub, a furniture trader in the capital's Kalabagan, said he did not receive any new orders this past month.

Salim H Rahman, chairman of the Bangladesh Furniture Industries Owners Association, said small furniture businesses are facing numerous issues as the overall industry is in a bad state.

Regarding these complications,

Rahman said the businesses are struggling for a lack of capital as banks refuse to provide loans considering their ability to return the funds.

Rahman, also managing director of Hatil Furniture, went on to say that most fixed-income people are only buying furniture when absolutely necessary as they are more focused on meeting basic needs.

such as chairs, bookshelves and other small items are available in the Kanchujuly and Academy Road areas of Mymensingh city as well as other places in the district.

However, these are mainly used by students and bachelors living in dormitories or other low-income groups for their cheap design.

Ramzan Ali, a furniture maker in the Kanchijhully area of Mymensingh city, said carpenters like him once enjoyed good business when the price of necessary materials, including wood, was less.

"Our sales did not go down even after plastic furniture hit the markets," he added.

Abdus Samad, a furniture maker in the city's Kathgola Bazar, said sales have fallen to such an extent that their families are now in a serious financial crisis.

Abdul Hakim, a coworker of Samad, said they are passing days in a fed or half-fed state because of the lack of loans with relaxed interest rates.

The business has been continuing in Mymensingh city since the Pakistan regime but the authorities did not make any arrangement for them to continue operations in a safe and sound manner, said Md Aslam Mia, a local furniture trader.

On various occasions, the carpenters had to pursue the assistance of Mymensingh City Corporation for allotting a piece of land on rent so that they could continue business with honour and dignity, he added.

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Mohammad Al Amin Sheikh  
A furniture trader of  
Mohammadpur

More than 40,000 small and big companies are involved in the production and marketing of furniture, according to the Bangladesh Investment Development Authority.

And although there are more than 100 brands, including Hatil, Akhtar furnishers, Partex and Regal, about 65 per cent of the Tk 30,000 crore market is controlled by non-branded cottage, micro and small enterprises. For example, wooden furniture

## Budgetary control and appraisal of supplementary budget

MUHAMMAD ABDUL MAZID

In theory and practice, imposed budgets are prepared from top-down direction, i.e., the resources committee sets the high-level budget (often just basic numbers), without collecting detailed information from operating staff. This total general target is then broken down into a detailed budget.

On the other hand, estimated budgets are prepared from the bottom up, i.e., operating staff collect detailed information from various departments, functions and other sources.

The logic and advantages of bottom-up budgets are manifold: (1) bottom staff may be more motivated if they participate in the budget preparation; (2) bottom staff are in regular and detailed contact with the budgeted objects; (3) they have better information compared to senior management; and (4) they are more accountable for the implementation.

However, the disadvantages of bottom-up budgeting should not be overlooked. In bottom-up budgeting, there is low control over budgets mainly because operating staff often lack a complex view and concentrate just on departmental issues, therefore the risk of not meeting the national objectives remains.

The risk of poor budget increases if operating staff do not have sufficient experience. The process of budget preparation is quite long and bottom staff may set too easy targets. So, the problems with coordination between departments and departmental budgets need to be interrelated.

Though senior management often adjusts the final aggregated figures anyway, it is very difficult to explain any variances of such budgets with actuals in the future if these adjustments are not planned in bigger operational detail.

In Bangladesh, the national budget is prepared in a manner that is somewhere between the top-down and the bottom-up approach. Both the supplementary budget and the proposed budget are placed

before the parliament in the first week of June, the last month of the fiscal year.

According to the legislative rules and procedure, the supplementary budget is cleared within a week after it is placed and the proposed budget is passed by parliament by June 30 for the assent of the honourable President.

In particular, the placing of the supplementary budget and its passage has got a very specific provision in Article 91 of the Constitution. And in line with the quoted constitutional spirit, Para 123 and 124 of the Rules of Procedure of the Bangladesh Parliament have very specific provisions.

Under this guidance, the nation seldom sees any detailed discussion or debate on the supplementary budget placed in parliament. It is cleared by the legislature mostly within the next week of its placement.

Traditionally, in this part of our world, the budget is prepared by the finance ministry, endorsed by parliament without significant scrutiny, and implemented by different ministries and agencies of the government with not much adherence as it was not proposed by them. Again, the parliament accepts the supplementary budget in a smooth way.

The budget, apart from an outline of a strategic plan and roadmap for development and non-development fiscal measures, is a fundamental memorandum of understanding between the citizen and the government and both are legally bound (accountable) to each other for its proper implementation.

Both the government and citizens are represented in the parliament by the elected representatives, so the representatives are highly expected to have an active participation in the budget making, passing and implementation.

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## ADB grants \$350m loan for Sri Lanka

AFP, Manila

The Asian Development Bank approved a \$350 million loan on Monday for bankrupt Sri Lanka, buttressing an IMF bailout as the country battles its worst economic crisis.

The loan will help stabilise the economy of the South Asian nation, the ADB said, after Sri Lanka ran out of foreign currency and defaulted on its \$46 billion debt over a year ago.

The Manila-based lender was committed to supporting "Sri Lanka as it addresses its present challenges and strides toward economic stabilisation, sustainable recovery and inclusive growth," ADB President Masatsugu Asakawa said.

The latest cash injection comes just over two months after the International Monetary Fund released \$330 million as the first instalment of a \$2.9 billion, four-year bailout linked to Colombo undertaking painful reforms.

"Transparency and open communication will be crucial in building agreement around the reforms," the ADB said in a statement, referring to Colombo's plans to privatise state enterprises.

Last week, the IMF asked Sri Lanka to speed up its debt restructuring and warned any delays could undermine efforts to overcome the country's financial woes.

The crisis led to severe shortages of food, fuel and medicines last year and triggered months of protests that led to the toppling of former president Gotabaya Rajapaksa in July.

The new government has doubled taxes, scrapped energy subsidies and announced it is selling off state enterprises to raise revenue.

Foreign debt restructuring was held up as the country's main bilateral creditor, China, was initially reluctant to take a haircut and instead offered more loans to pay off old debts.

## Saudi diesel imports from Russia, exports to Singapore hit records

REUTERS, Singapore

Leading crude exporter Saudi Arabia is maximising refining profits by importing unprecedented amounts of cheap Russian diesel and in turn shipping record volumes to Singapore, where the fuel can achieve higher margins, shiptracking data shows.

Russia has had to divert the volumes it sold to Europe, previously its dominant product market, after the European Union banned oil product imports in February as part of its response to Moscow's invasion of Ukraine.

That allowed state oil giant Saudi Aramco to increase its May imports to Singapore to record levels and cash in on better arbitrage netbacks in the east than Europe, driven by tighter Asian supply during the maintenance season, traders and analysts said.

"Diesel supply in Singapore is relatively tight due to regional refinery maintenance, while Middle East supplies are rising, which may create spot arbitrage opportunities for traders to move the cargoes (to Singapore)," Vortexa's head of APAC analysis Serena Huang said.

Saudi Arabia will import up to 500,000 tonnes (3.7 million barrels) or more of Russian diesel in May, with most

of it arriving at Ras Tanura, where one of Saudi Aramco's refineries is located, two trading sources, Kpler and Refinitiv showed.

At the same time, diesel from Saudi Arabia arriving in Singapore is set to hit 400,000 tonnes - an unprecedented level, data from Refinitiv, Vortexa and two industry sources found. The sources

asked for anonymity because they were not authorised to speak to the media.

The rise in Saudi supplies could replenish Singapore stocks as exports from northeast Asia fall during the refinery overhaul season between May and July, the sources added.

It is however unclear whether Saudi Arabia was storing some of its own

production and shipping mostly Russian supplies via swap trades instead, since both are of typical diesel specifications.

Russian 10 ppm sulphur gasoil cargoes are traded at discounts of around \$30 a barrel to free-on-board Middle East quotes, versus Asia's spot premiums for the same grade at 16 cents a barrel to Singapore quotes, according to trade sources and Refinitiv data.

Globally, Saudi's diesel exports in April hit an all-time high of around 3.7 million tonnes, Kpler data showed. Jizan refinery, solely owned by Aramco, had been expected to increase diesel exports when crude runs stabilise.

Aramco declined to comment. FGE analyst Lu Yawen said more Middle East gasoil cargoes were heading east rather than west to Europe, where high inventories and weak economic growth have depressed prices.

Falling freight costs also aided the arbitrage flow, two other oil and shipping analysts said.

The cost to charter a Long Range (LR) vessel on the Middle East to Singapore route has dropped to slightly below \$25 a tonne from around \$34 a tonne in the last two months, they added. That is half the cost for the same ship to travel to Europe, they said.



Oil tankers are parked at the Western anchorage off Singapore.

PHOTO: AFP/FILE