

# Star BUSINESS



## 11 banks facing a capital shortfall of Tk 33,575cr

AKM ZAMIR UDDIN

Eleven banks in Bangladesh faced a collective capital shortfall of Tk 33,575 crore in March, up 9.3 per cent from a quarter ago, in a reflection of their worsening financial health caused by persisting irregularities and lack of governance, central bank data showed.

The fund deficit of the banks – Bangladesh Krishi Bank, Agrani Bank, Rupali, Janata, Sonali, BASIC Bank, Rajshahi Krishi Unnayan Bank, ICB Islamic Bank, National Bank, Bangladesh Commerce Bank, and Padma Bank – was Tk 30,697 crore in December.

Experts hold corruption and a lack of corporate governance perpetrated at the banks responsible for the large capital shortfall.

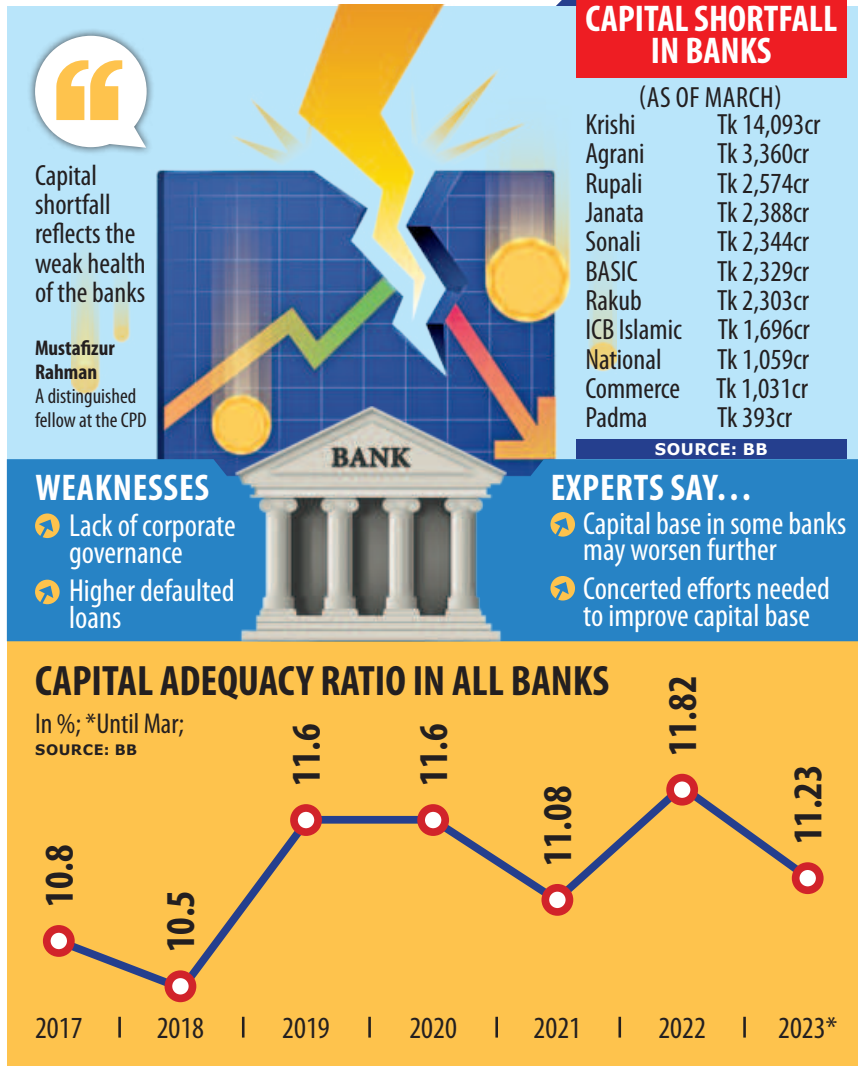
As of March, Bangladesh Krishi Bank had the highest amount of capital shortfall of Tk 14,093 crore among the 11 lenders.

State-run Agrani's deficit stood at Tk 3,360 crore. It was Tk 2,574 crore for state-run Rupali and Tk 2,388 crore for Janata Bank, another government-owned bank.

"The worrying situation is that the financial health of the banks that have higher capital shortfall is deteriorating," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The high ratio of defaulted loans has deepened the capital shortfall in the banks.

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## Dollar hits Tk 109 in inter-bank trade

STAR BUSINESS REPORT

Banks have traded dollar at as high as Tk 109 among themselves, reflecting persistent shortage of foreign currency in the market.

The central bank data showed that banks sold the greenback at rates as low as Tk 108.03 to a maximum of Tk 109 on June 14.

This was the highest rate for the US dollar, which has been appreciating against the Bangladesh's taka in the face of falling foreign currency reserves, as the requirement for external payment, including import bills, continues to overshoot inflows.

Foreign exchange reserves stood at \$29.83 billion as of June 14, down from \$29.87 billion two weeks ago.

Bangladesh's foreign exchange reserves were \$41.82 billion at the end of June last year, according to data by the central bank.

Since then, reserves gradually fell as payment requirement for imports – though dropped 14 per cent plus in July-April period of the current fiscal year – remained higher than the total inflow, particularly exports and remittances.

Export and remittance earnings growths are slowing down.

"The price of dollar will continue to go up so long the demand and supply gap remain in the market," said a head of treasury division of a private bank.

To reduce the crisis, the BB sold more than \$320 million to support banks to meet international payment obligations, said a senior official preferring anonymity as he is not authorised to talk with the media.

The official, however, said the inter-bank exchange rate of dollar declined to Tk 108.80 yesterday.

The increasing cost of the greenback is pushing import cost and prices of import-based commodities.

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## BB hikes capital requirement for new banks

STAR BUSINESS REPORT

Bangladesh Bank yesterday said that the upcoming commercial banks in the country will have to ensure Tk 500 crore as paid-up capital instead of the existing Tk 400 crore requirement.

A central bank official said the new rule will be applicable to all who apply for licences to open new banks.

Bangladesh Bank yesterday issued a circular to this end.

Asked why the measure is not applicable for existing banks, the official said many of them cannot immediately raise their capital base. This includes state-run banks, which have long been struggling to manage their required capital.

He went on to say that the central bank had taken the decision to raise the paid-up capital requirement before the coronavirus pandemic, but it did not implement the rule given the business slowdown.

He hinted that the central bank might raise the requirement even further in the days ahead.

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## Govt forced to borrow from banks to plug budget deficit

Says Mannan

STAR BUSINESS REPORT

The government has no other alternative but to borrow from the banking sector to meet the budget deficit, Planning Minister MA Mannan said yesterday.

"Many countries, including the United States, Saudi Arabia and Japan, take loans from the banking sector when they need. Bangladesh will do the same," he said.

The minister made the comments at a



MA Mannan

seminar on "Budget 2023-24: education and employment", at the Professor Muzaffar Ahmed Chowdhury Auditorium in the University of Dhaka.

The Centre on Budget and Policy, a research institute affiliated with the university, organised the event.

The government will depend heavily on borrowing from the Bangladesh Bank to manage its budget deficit in the next fiscal year, like in the current year, amid the tax authority's continuous failure to generate adequate revenues, a reliance that may stoke inflationary pressures, worsen the current economic volatility and crowd out the private sector.

The government has set a deficit financing target of Tk 261,785 crore for 2023-24. Of the amount, Tk 132,395 crore will come from the banking system.

"Many people say that if the government borrows more from banks, businessmen will get fewer loans. But we are forced to borrow," said Mannan.

The government will borrow Tk 1,55,395 crore

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## Focus on making apparel by recycling yarn, fabric

H&M urges local garment suppliers

REFAYET ULLAH MIRDAHA

Local garment suppliers will have to focus on making apparels wholly from recycled materials by 2030 as the H&M is going to abide by a European Union (EU) due diligence law on protecting the environment and human rights.

As a part of the new rules, the H&M has a target to have 24 per cent of its apparels sourced from recycled or sustainable materials by 2025, said Ziaur Rahman, regional country manager of the Swedish retail giant in Dhaka.

The recycled materials are yarn and fabric made from old and discarded clothing or scrap of garment manufacturing processes, widely known as "jhoot" in Bangla.

No virgin cotton will not be used in the apparels and the only exception will be fibres from cotton grown from sustainable cultivation practices, Rahman told The Daily Star over the phone.

Through recycled materials, clothing items get a second life, he said.

Under the EU's due diligence act, the international clothing retailers and brands will have to use the recycled yarn and fabrics for garment items meant for the EU markets, he said.

The H&M started sourcing garment items made from the recycled materials a lot earlier as a part of the retail giant's preparations to do business under the EU's due diligence act in the near future.

The circular economy tackles climate change and other global challenges like biodiversity loss, waste and pollution, by decoupling economic activity from the consumption of finite resources, the H&M said.

"In our current economy, we take materials from the Earth, make products from them, and eventually throw them away as waste – the process is linear. In a

circular economy, by contrast, we stop waste being produced in the first place," the H&M said.

Currently, since the local spinners and weavers cannot supply the required quantity of recycled materials like yarn and fabrics, the demand is met through imports although the Bangladeshi spinners are gearing up their capacity, Rahman said.

The H&M now directly procures garment items from 200 factories and the company is paying the "correct" prices for buying garments made from recycled yarn and fabric, Rahman added.

However, this is an opportunity for the country as mainly old clothes are getting a new life and being sold to the end consumers, he said.

Rahman also shared some of his knowledge on the subject at the first Bangladesh Circular Economy Summit held at the Radisson hotel in Dhaka yesterday.

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## Chinese firm Mingda to invest \$76.41m in Bepza EZ

STAR BUSINESS REPORT

Chinese company Mingda (Bangladesh) New Material Co Ltd will invest \$76.41 million in Bepza Economic Zone to produce different types of cotton product.

It is the highest amount of investment proposal that came from a single company among the ones who have signed agreements to establish factories inside Bepza EZ.

The list of products Mingda (Bangladesh) will produce includes imitation silk cotton, tile cotton, needle punched cotton, different types of artificial/manmade fabric, artificial fabrics, including geotextile, different hospital products, bags and packaging items, including

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## Flats, houses to be costlier

MD of bti blames duty hike of construction materials

JAGARAN CHAKMA

National BUDGET FY2023-24



FR Khan

Flats and houses will become expensive as the government has increased the duties on basic construction materials such as cement, steel and tiles in the proposed budget, said a top executive of a real estate company.

FR Khan, managing director of bti, one of the top developers in the country, said the property registration cost used to be 15 per cent, which was already a burden for property owners. Now, it has been increased to 19 per cent.

For example, the owner of a flat priced at Tk 1 crore would have to pay to spend almost Tk 20 lakh to register the property alone even if it is a second-hand property.

"How can this be affordable? It is not affordable at all considering the present condition of the economy," he said.

According to Khan, the property registration cost in Bangladesh is too high compared to India, Pakistan, Malaysia, and Thailand, where the fee ranges between 4 per cent and 6 per cent.

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Workers use their brute strength to load mahogany tree trunks onto a truck in Binoykathi area of Jhalakathi. Meant to be transported to Jashore, this high-quality timber is hard and extremely strong and can be used in making furniture, boats and musical instruments. Each of the workers on the other hand receives Tk 1,000 for a day's worth of such work. The photo was taken recently.

PHOTO: TITU DAS

STOCKS	
DSEX ▲	CASPI ▲
0.08%	0.06%
6,280.02	18,560.73

COMMODITIES	
Gold ▼	Oil ▲
\$1,940.26	\$69.19
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.49%	▼ 0.05%	▲ 0.77%	▲ 0.74%
62,917.63	33,485.49	3,242.85	3,252.98