

Dollar steadies, yuan down

REUTERS, Singapore/London

The dollar steadied on Monday, partly recovering from a knee-jerk reaction to Friday data showing US job gains were the smallest in 2-1/2 years, while disappointing inflation figures in China weighed on the yuan and proxies.

The dollar index, which tracks the US currency against a basket of major peers, was up 0.13 per cent at 102.4 having fallen 0.87 per cent on Friday after US nonfarm payrolls increased 209,000 in June, missing market expectations for the first time in 15 months.

While details in the employment report reflecting persistently strong wage growth underscored market pricing of a further rate hike later this month, the data helped reassure markets that an end to the Federal Reserve's programme of rate hikes is at least near, even if once-expected cuts later in 2023 now seem unlikely.

The dollar's Friday slide and Monday rebound were broadly based.

The dollar rose as much as 0.55 per cent against the Japanese yen and was last up 0.06 per cent at 142.31 having slid nearly 1.3 per cent on Friday, and the euro was last down 0.08 per cent at \$1.0953 after a 0.7 per cent Friday jump.

The dollar/yen pair is particularly sensitive to US bond yields, which paused their recent march higher after the data, as interest rates in Japan are anchored near zero.

"It's a bit of an unwind from the over-reaction that we saw on Friday. There was an over-reaction to the non-farm payrolls report, so it doesn't surprise me that the yen's weakening today," said Joseph Capurso, head of international and sustainable economics at Commonwealth Bank of Australia.

Sterling was a bigger mover, falling nearly 0.5 per cent on Monday to \$1.2780 having surged 0.79 per cent the previous session to a 15-month high of \$1.2850.



Workers are seen collecting pointed gourd, known as potol in Bangla, at a wholesale market in Sahapur Madhugram village in Dumuria upazila of Khulna. The summer vegetable is currently selling for between Tk 40 and Tk 60 per kilogramme at retail in Dhaka. PHOTO: HABIBUR RAHMAN

ICT trade bodies demand amendment to A2i bill

STAR BUSINESS REPORT

ICT trade bodies in Bangladesh yesterday urged the government to amend the recently approved Agency to Innovate (A2i) Bill 2023, scrapping the clause that empowers A2i to form companies.

"The current clause within the A2i bill grants the agency authority to establish any type of company and provide any service, which directly contradicts the interests of the industry," said Russell T Ahmed, president of the Bangladesh Association of Software and Information Services (BASIS).

The bill was passed in parliament on July 5. "In light of this conflict, I hereby request the complete revocation of the power granted to A2i to form companies as described in Section 21 of the recently passed A2i bill," he said.

"Furthermore, I urge for reprinting of the bill with necessary amendments to resolve conflicts that exist in other clauses," Ahmed added.

He was speaking at a press conference on the bill jointly organised by five leading ICT trade associations at the BASIS auditorium in Kawran Bazar, Dhaka.

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Russell T Ahmed
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The organisations are: BASIS, Bangladesh Computer Samity, Bangladesh Association of Contact Center & Outsourcing (BACCO), Internet Service Provider Association of Bangladesh (ISPAB), and E-Commerce Association of Bangladesh (e-CAB).

He urged the Prime Minister to consider their demand for the sake of the development of the industry.

In a written statement, the trade bodies said before passing the bill, the 12th meeting of the Parliamentary Standing Committee

on Ministry of Posts, Telecommunications & Information Technology was held on 18 June.

Members of the committee, posts and telecommunications minister, state minister for ICT, relevant officials from the ICT Divisions, participated in the meeting.

Besides, presidents of the five trade associations within the IT sector were also in attendance.

Along with some of the trade bodies' demands, it was unanimously agreed that A2i shall not be authorised to form any company.

However, A2i was empowered to form companies in the bill that was later passed in parliament.

Wahid Sharif, president of BACCO, said it is imperative that the existing clause be repealed through an amendment to the law in order to foster progress towards becoming "Smart Bangladesh".

"The significance of amending this bill cannot be overstated as it holds the key to expediting the growth of this industry," he added.

ISPAB President Md Imdadul Hoque and e-CAB General Secretary Md Abdul Wahed Tomal also spoke.

FBCCI's 'Smart Bangladesh' confce on July 15

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) is going to organise a conference focusing on the private sector's role in building "Smart Bangladesh", said the apex trade body yesterday.

The event, titled "Business Conference on Building Smart Bangladesh", will take place at Bangabandhu International Conference Center (BICC) on July 15. Prime Minister Sheikh Hasina is expected to attend the program as chief guest, it said.

The trade body made the disclosure after a preparatory meeting joined by the chiefs of chambers and associations affiliated with the FBCCI.

The private sector accounts for 82 per cent of the country's businesses, said FBCCI President Md Jashim Uddin at the meeting.

He said they would hand over a book capturing the achievements of Bangladesh Business Summit 2023 which was organised this year to showcase Bangladesh's trade and investment potential to the world.

The publication will contain opinions of experts who participated in the summit as well as recommendations and policies discussed during the event, said the trade body.

China urges 'practical' US action on sanctions after Yellen talks

REUTERS, Beijing

China on Monday called on the US to take "practical action" in response to its "major concerns" about sanctions on Chinese firms, after US Treasury Secretary Janet Yellen wrapped up more than 10 hours of meetings with senior officials in Beijing.

Yellen came to Beijing seeking to ease tensions between the world's two superpowers, and while there was no breakthrough, both sides described their talks as "productive" and agreed to keep channels open "at all levels" for talks on the economy.

The visit boosts chances for a meeting between US President Joe Biden and China's President Xi Jinping later this year, possibly at the Asia-Pacific Economic Cooperation Summit in San Francisco in November.

Before departing on Sunday, Yellen told reporters that she and her Chinese counterparts had "aired significant disagreements" in their meetings, a sentiment reflected in a readout from China's finance ministry on Monday morning.

China "requires" the US to "cease the suppression of Chinese enterprises, lift bans on Xinjiang-related products, and take concrete steps to respond to China's major concerns in economic relations between the two countries," the ministry wrote.

The United States has imposed sanctions on some companies for using forced labour in the far-western region of Xinjiang.

Commerce secretaries to meet next month

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However, the formal or final negotiation for signing the agreement will begin after the completion of negotiations at other levels, he said.

India has been taking time to start the formal negotiation as the country deems it necessary to conduct further studies on it.

The bilateral trade will increase if the rupee is used and a debit card is launched for Bangladeshis visiting India, said Ghosh.

Nearly 25 lakh Bangladeshis annually visit India, mainly for medical treatment.

If they are allowed to use a dual currency debit card, meaning that of the rupee and taka, Bangladesh will be able to save a lot of dollars.

Bangladesh's exports to Indian markets have also been increasing over the last couple of years because of a rising demand for locally-made items, especially garments, said Ghosh.

Last fiscal year, \$2.2 billion-worth merchandise was shipped from Bangladesh to India, including over \$1 billion-worth garment items, he said.

Garment export from Bangladesh to India has been rising for the opening of retail outlets by Western retailers and brands in the Indian markets.

The commerce ministry has already formed two separate committees to start negotiations with India over signing the proposed Cepa to boost bilateral trade and investment in the post-LDC period.

In September last year, both Prime Minister Sheikh Hasina of Bangladesh and Prime Minister Narendra Modi of India in a joint statement welcomed the finalisation of a joint feasibility study which recommended that a Cepa would be beneficial for both countries.

They directed trade officials on

both sides to start negotiations within 2022 and to complete those at the earliest and in time for Bangladesh's final graduation from the least developed country (LDC) status, said the joint statement.

Annually, Bangladesh imports nearly \$15 billion worth of goods like textiles and fabrics, industrial raw materials and intermediate goods, food items, cotton and chemicals for industrial use.

On the other hand, as an LDC, Bangladesh has been enjoying duty-free benefits on export to India under South Asian Free Trade Area (Safta), a free trade arrangement of the South Asian Association for Regional Cooperation (Saarc).

In August last year, the joint study said Bangladesh might not make a large gain from a Cepa. This was due to the fact that Bangladesh would lose duty-free market access provided for it being an LDC.

Comparatively, India will make a larger gain from the trade deal primarily through the removal of high tariff rates it currently faces in Bangladesh, said the study.

Bangladesh Foreign Trade Institute (BFTI) and the Centre for Regional Trade (CRT) of India jointly conducted the study based on trade data between 2015 and 2020.

If signed, the Cepa will be the first free trade agreement of its kind as Bangladesh has till date signed only a preferential trade agreement with Bhutan in December 2020.

The proposed deal, which calls for a withdrawal of duties, is expected to boost Bangladesh's exports by 190.15 per cent and more if transaction costs are also reduced through improved connectivity, according to the study.

India's exports to Bangladesh are expected to increase by 188 per cent. The Cepa will increase Bangladesh's GDP by 1.72 per cent and India's by 0.03 per cent, the study found.

Banks with lowest NPL

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is one of the lowest in private commercial banks in Bangladesh.

In the loan approval process, it gives a loan after analysing the potential and challenges of the businesses of the borrowers rigorously, Itekar said.

BANKS WITH LOWEST NPL RATIO (In %)

BANKS	I 2021	I 2022
Bengal Commercial Bank*	0	0
Community Bank*	0.04	0.15
SBI	0.35	0.35
Citi	1.37	1.17
Ceylon	0.47	1.22
Modhumoti Bank*	2.84	1.7
Woori	1.26	1.79
SCB	3.15	2.35
Pubali Bank	3.05	2.62
HSBC	1.85	2.63
Bank Alfalah	1.47	2.69
EBL	3.7	2.78
Midland Bank*	3.17	2.78

* New generation banks

"The bank has a huge specialised manpower to monitor the customers' factory, business, financial reports etc, so we get the signals very early."

If any loan becomes classified, EBL then emphasises on the recovery process, said Itekar, who is also the former chairman of the Association of Bankers, Bangladesh.

"Any entrepreneur can fall into losses. We normally stand beside them. Sometimes refinance and do the debt management on behalf of the clients and give them time to repay loans so that they can rebuild their business."

However, making a loss in the business is certainly not the reason of creating an NPL all the time, he added.

How foreign banks keep NPL in check

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"Some local banks are following good corporate governance and their NPL ratio is much lower than others."

In 2022, nine banks had an NPL ratio that was lower than 3 per cent. They are Standard Chartered, HSBC, Citibank, Bank Alfalah, Woori Bank, State Bank of India, Commercial Bank of Ceylon, Eastern Bank, and Pubali Bank.

New banks were not taken into account.

Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management, says foreign banks' main focus is financing international trade, which involves mainly working capital where the chance of loans becoming classified is low.

Still, local banks see higher NPL in trade finance because of their risk management practices that deviate from standard norms, he said.

"Foreign banks strictly focus on risk management that ultimately pays them dividends by the way of a lower NPL ratio."

Multinational banks' NPL ratio ranges from 0.35 per cent to 2.63 per cent, except for two Pakistani banks: National Bank of Pakistan and Habib Bank.

Habib Bank's NPL ratio was 9.24 per cent.

National Bank of Pakistan struggled with an NPL ratio of 97 per cent, which highlighted almost all borrowers' reluctance to repay loans.

Top officials of the two banks alleged that the Bangladeshi borrowers did not want to repay the loans since the banks are Pakistani.

State-run banks witnessed the highest NPL ratio in the banking sector in Bangladesh, ranging from 14 per cent to 36 per cent.

Prof Habib points out that sometimes, state-run banks carry out some non-profitable activities considering the national interest. For example, the banks provided loans to SMEs during the coronavirus pandemic.

Since the state-owned lenders work as both commercial and specialised banks, their NPL is often higher, he said.

ICB Islamic Bank had the second-highest NPL ratio of 84 per cent in 2022, followed by BASIS Bank's 57 per cent and Bangladesh Development Bank's 36.3 per cent.

Currently, Bangladesh's banking sector has the second-highest NPL ratio in South Asia, with Sri Lanka topping the list.

NPLs include substandard, doubtful and bad loans or default loans.

In 2022, defaulted loans in Bangladesh increased 16.8 per cent year-on-year to Tk 1,20,656 crore, according to central bank data. The ratio accounted for 8.16 per cent of the outstanding loans, up from 7.93 per cent a year ago.

Among the 52 banks whose financial reports for the year have been published, 22 saw a lower NPL ratio last year compared to 2021, while the rest witnessed a higher NPL ratio.

The NPL ratio is also higher among the new-generation banks. For instance, Meghna Bank's NPL ratio was 6.73 per cent while it was 5.18 per cent for South Bangla Agricultural Bank, 4.48 per cent for Global Islami Bank and 3.53 per cent for Union Bank.

The NPL ratio was 2.78 per cent at Midland Bank and 1.7 per cent at Modhumoti Bank.

Among the first-generation banks, the ratio was 2.62 per cent for Pubali Bank and 3.9 per cent for City Bank.

Muhammad A (Rumee) Ali thinks NPLs will maintain their growth path simply because of the deeply flawed governance structure in the financial sector of Bangladesh.

Anis A Khan recommends raising the skills of local bankers so that they are well-equipped to deal with bad loans. Bankers at foreign lenders have to complete several courses to level up their skills.

Prof Habib said the government has brought about some changes to the Bank Company Act, giving the definition of willful defaulters for the first time.

"If the provisions of the law are implemented properly, the NPL in the banking sector may decline."

Preparations underway

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told The Daily Star over the phone.

There are mainly three kinds of documents, including a Bangladesh Bank certification that the candidate is not a bank defaulter and a National Board of Revenue (NBR) certification that the candidate is not a tax defaulter.

The last is a police clearance based on the candidate's permanent address.

It confirms that the candidate has not been convicted in any criminal or corruption case or case involving moral turpitude as of the date of submission of nomination papers for the post of director, according to an election notice.

Anyone disqualified can appeal with the board providing proper documents, said Shamsul Alam, one of the election board members.

The final list of candidates after appeals will be published on July 15 and the last date for withdrawals is July 19. The election will take place at Bangabandhu International Conference Centre, he said.

As per the FBCCI charter, 46 directors (23 from association group and 23 from chamber group) will be elected while 34 (17 from chamber and 17 from association group) nominated.

These 80 directors will then elect one president, one senior vice-president and six vice-presidents.

There are 2,500 voters this year, said Chowdhury.