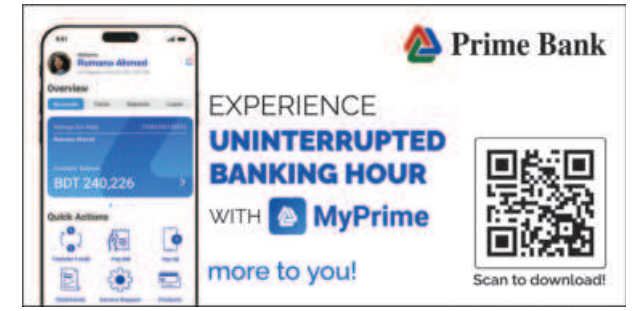
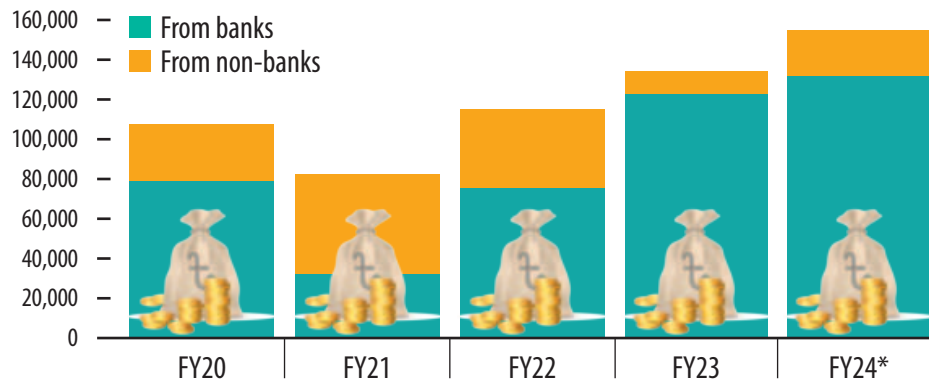


Star BUSINESS



GOVT BORROWING FROM DOMESTIC SOURCES

In crore taka; SOURCE: BB *Plan



Govt borrowing from domestic sources climbs 16%

STAR BUSINESS REPORT

The government's borrowing from domestic banks and non-banking sources was 16 per cent higher in the just-concluded fiscal year as it had to rely on debts to finance public expenditures amid lower revenue collections.

The government took Tk 133,800 crore in loans from domestic sources in 2022-23, excluding the net sales of national savings certificates, according to data from the Bangladesh Bank. It was Tk 115,216 crore in 2021-22.

Of the sum, 73 per cent, or Tk 97,684 crore, came from the central bank in FY23, which may contribute to stoking inflationary pressures.

"This will create demand as the central bank is printing money to lend to the government. This fresh money is coming to the market. This will stoke inflation," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

If the government borrowed from banks, there would not have much effect on inflation, he said.

According to the economist, there is concern about the composition of debts.

"And the concern remains the same for the new fiscal year as the government keeps borrowing. The main reason is the failure to collect required amount of revenue. We are already seeing the consequence of that."

For the 11th consecutive year, the National Board of Revenue missed its tax target in FY23 in the face of slowing growth of collections amidst economic slowdowns and ambitious goals set by the government. The collection grew only 8 per cent in the year.

The government planned to borrow Tk 140,425 crore from domestic sources in FY23. And it managed to could keep debts within the plan although borrowing from the banking system exceeded its projection by 7 per cent year-on-year, BB data showed.

The government's debt from banks stood at around Tk 123,000 crore, up from Tk 115,425 crore. And in the first four days of the new fiscal year, it took Tk 3,538 crore as loans from banks.

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Exports continue to depend on five key markets

MD ASADUZ ZAMAN

Five developed nations have continued to account for more than half of Bangladesh's export earnings, highlighting the country's narrow market base and the vulnerability it faces.

This also means Bangladesh's efforts aimed at diversifying exports in terms of both markets and products over the last decade have not brought about expected results.

The five countries – the United States, Germany, the United Kingdom, Spain and France – sourced products worth \$29 billion in the last fiscal year of 2022-23, making up more than 52 per cent of Bangladesh's annual receipts of \$55.56 billion, data from the Export Promotion Bureau showed.

The US led the pack with a 17 per cent share. Germany, the United Kingdom, Spain and France accounted for 12.74 per cent, 9.55 per cent, 6.62 per cent and 5.92 per cent of the earnings in FY23.

The five countries have been the top export destinations for Bangladesh for at least one decade, with their purchases making up about 50 per cent of the country's export receipts on average.

"Bangladesh's export market is still confined to a handful of countries and to some products such as readymade garments," said Muhammad Abdur Razzaque, chairman of the Research and Policy Integration for Development, a think tank.

Due to a lack of diversification of products, the country has not been able to explore other markets. As a result, export earnings have not increased either, he said.

"Diversifying both markets and products simultaneously is challenging but we need to do that to ensure a sustainable journey of the economy."

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SHARE OF TOP FIVE COUNTRIES

In %; Of FY23; SOURCE: EPB



EARNINGS FROM 5 COUNTRIES

\$29b (FY23)

TOTAL EXPORTS OF BANGLADESH

55.56 b (FY23)

EXPORT ITEMS

PRIMARY

Frozen and live fish, agricultural products

MANUFACTURED

Knitwear, woven garments, home textile, jute and jute goods, leather and leather goods, chemical products, handicraft, engineering products



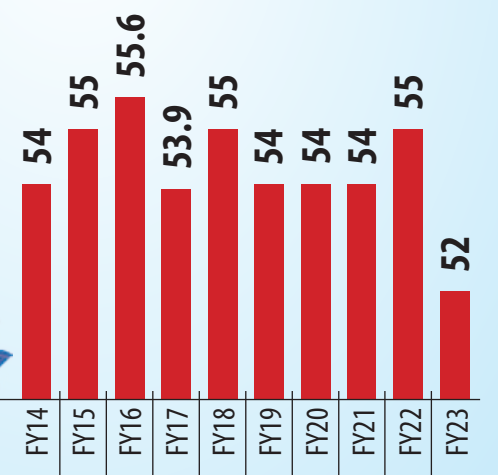
WHAT TO DO FOR MARKET DIVERSIFICATION

- » Revisit the trade policies
- » Explore new destinations
- » Prioritise products for exports
- » Give policy support

EXPORT EARNINGS FROM TOP 5 COUNTRIES

In % of total exports of Bangladesh

SOURCE: EPB



Bank Asia to invest in a digital bank

STAR BUSINESS REPORT

Bank Asia has decided to be a sponsor shareholder of a proposed digital bank by investing Tk 12.50 crore, said the private bank yesterday.

The board of directors of the bank approved a proposal in this regard.

The amount of investment is 10 per cent of the total paid-up capital of the digital bank, said the lender in a disclosure on the Dhaka Stock Exchange.

Shares of Bank Asia were unchanged at Tk 20.20 on the DSE yesterday.

Bank Asia

"Our honourable board has expressed their keen interest to invest in the digital bank landscape as a sponsor shareholder aiming to bring more unbanked people into the banking network by boosting the ongoing financial inclusion initiatives across the country," Adil Chowdhury, president and managing director of the bank, told The Daily Star.

Bank Asia is 100 per cent committed to providing services to all segments of the society, including the marginalised people in rural and remotest parts of the country, Chowdhury said.

The Bangladesh Bank last month invited applications from entrepreneurs interested in establishing digital banks. It will accept applications until August 1.

On June 1, Finance Minister AHM Mustafa Kamal said a central bank committee was working to draw up strategies to broaden financial inclusion.

Investors willing to set up a digital bank will have to have a minimum paid-up capital of Tk 125 crore and the capital will have to come from sponsors.

New long-term USD loan facility for exporters, other firms

STAR BUSINESS REPORT

The central bank yesterday unveiled a long-term financing facility for private sector firms, mainly export-oriented manufacturers, to help them borrow in US dollars to purchase equipment and services needed to run sustainable operations.

Under the Bangladesh Bank-Long Term Financing Facility, the loan, which could be as high as \$10 million, will be offered in the US currency, according to a guideline.

Widespread opportunity for medium and longer term financing was inadequate in the country a decade ago and the constraint still persists.

And the financing of businesses for shorter-than-required tenure is creating a funding mismatch. As a result, the banking sector is finding it difficult to mitigate the long-term funding gap in both local and foreign currencies.

Recently, the BB completed the long-term financing facility (LTF) programme, which gave access to long-term funds in foreign currencies to capital-intensive manufacturing firms.



The success and popularity of the LTFF prove that there exists a huge demand in the market for a sustainable longer-term credit facility, the guideline said.

So, the central bank has decided to continue providing long-term financing to private sector firms, mainly export-oriented manufacturing enterprises, so that they can adopt sustainable means of production and augment competitive advantage in the global value chains.

The financing will be given through banks, known as participating financial institutions,

authorised to deal with foreign exchange.

Among other qualifications, PFIs must have a minimum rating of three or better CAMELS ratings determined by the BB, must have less than 8 per cent non-performing loan, and meet the minimum regulatory capital adequacy requirement to be eligible to participate in the fund.

Problem banks or banks with large financial scams or those with an observer or coordinator placed by the central bank are ineligible, according to the guideline.

Refinancing from the fund against the loans that had been disbursed before January 1, 2021 will not be permissible.

A borrower can apply for BB-LTFF for any amount not exceeding a maximum threshold limit of \$5 million through a single PFI and for any amount not exceeding a maximum threshold limit of \$10 million under syndicated financing through two or more PFIs.

The fund can be used to procure capital machinery, meet expenses related to their installation, and expand or set up new manufacturing industries.

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A buyer is seen checking an umbrella at a market in Khulna city. The rainy season, which lasts from June to October in Bangladesh, is the peak sales season for umbrella makers in the country. The picture was taken recently.

PHOTO: HABIBUR RAHMAN

Bangladesh will again seek duty benefits in US

Ticfa meeting on Sep 11

REFAYET ULLAH MIRDHA

Bangladesh will again urge the US for duty-free access as the tariff imposed on exports from the country is one of the highest faced by goods entering the western nation, according to Senior Commerce Secretary Tapan Kanti Ghosh.

On Saturday, Ghosh told The Daily Star that he would raise this demand at the sixth edition of the Trade and Investment Cooperation Forum Agreement (Ticfa).

At the Ticfa, the United States Trade Representative may raise concerns on the condition of labour and intellectual property rights in Bangladesh

The two-day annual forum that aims to identify and address obstacles for increasing bilateral trade and investment between the two countries is set to kick off in Dhaka on September 11.

At the Ticfa, the United States Trade Representative (USTR), the chief trade negotiating body of the US, may raise concerns on the condition of labour and intellectual property rights in Bangladesh, among other trade related issues.

However, the main topic of discussion for Bangladesh will be about securing duty-free access or reduced tariff for exports to the US market, Ghosh added.

Exported goods, particularly garment items,

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