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Refiners cut soybean oil, sugar prices

STAR BUSINESS REPORT

Refiners have cut edible oil and sugar prices by 3 percent or Tk 5 a litre/kilogramme.

The processors in two separate press statements said yesterday that they reduced the prices of the two essential commodities thanks to a fall in their international rates.

The reduced retail prices of soybean oil will be Tk 174 per litre, down by nearly 3 percent from Tk 179.

The new price of each five-litre bottle of the cooking oil will be Tk 850.

Similarly, Bangladesh Sugar Refiners Association (BSRA) cut sugar prices in line with the fall in the raw sugar prices in the global market.

After the reduction, consumers will be able to buy packaged sugar at Tk 135 a kg, down by 3.5

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INVESTMENT IN STOCK MARKET

Foreign banks' combined investment Tk 4.25cr

Local banks' total investment Tk 16,314cr

INVESTMENT of foreign banks in stock market

Banks	2021	2022
SCB	1.8	1.8
Ceylon	0.94	0.94
HSBC	0.6	0.6
Citi	0.6	0.6
SBI	0.31	0.31
Bank Alfalah	0	0
HBL Bangladesh	0	0
Woori	0	0
NBP	0	0

(In crore taka)

FOREIGN BANKS' INVESTMENT IN TREASURY BOND

2021	2022
Tk 32,494cr	Tk 32,178cr

WHY FOREIGN BANKS RELUCTANT TO INVEST IN STOCKS

Higher profit in their core banking business

Lack of expertise in equity market

Bad image of local stock market

Lack of stocks of well-performing companies

Unwillingness to invest depositors' fund in risky market

The foreign banks are generating profits at a higher rate from their core business, so they have stuck to that.

ASIF KHAN
Chairman of Edge Asset Management

Local banks have lowest capital base in South Asia

MD MEHEDI HASAN

Banks in Bangladesh were bottom-ranked in 2022 among South Asian lenders when it comes to capital base, owing largely to rising non-performing loans.

According to the Bangladesh Bank's Financial Stability Report 2022, local banks maintained a capital adequacy ratio (CAR) of 11.83 percent last year.

It was 16 percent for India, 16.6 percent for Pakistan and 15.3 percent for Sri Lanka.

The CAR, also known as the capital-to-risk weighted assets ratio, is an indicator of how well a bank can meet its obligations.

The capital base of local banks has been the lowest in South Asia for several years.

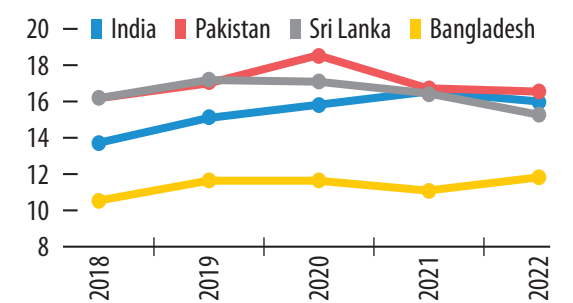
In 2017, local banks maintained a 10.8 percent CAR while India had a CAR of 13.9 percent, Pakistan 15.8 percent, and Sri Lanka 16.4 percent.

Although the capital base of banks has continued to rise, it is still lower than the lenders in the neighbouring countries. Local bankers say the capital base is not strengthening due to the growing bad loans.

NPLs totalled Tk 131,620 crore in March, marking a 16.02 percent increase year-on-year, Bangladesh Bank data showed. The volume was 8.80 percent of the total credits disbursed in the banking sector.

Capital adequacy ratio (CAR) of banks

In South Asia; SOURCE: BB



A central banker says local banks maintained the lowest capital base in the region due to the capital shortfall of a dozen of banks, including state-run lenders. On the other hand, the capital base of private banks and foreign banks is in good shape.

In March, the CAR of six state-run banks stood at 5.90 percent. It was negative 38.35 percent for three specialised banks, BB data showed.

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Taka fell 13.3% vs dollar in 2022: BB

STAR BUSINESS REPORT

Bangladesh's currency taka depreciated by 13.3 percent against the US dollar in 2022, said Financial Stability Report 2022 of Bangladesh Bank.

The interbank exchange rate stood at Tk 85.80 per US dollar on January 2 last year whereas Tk 105.40 on December 1. Yesterday it was Tk 109.50.

In spite of the taka's depreciation, Bangladesh Bank had pumped \$13.50 billion from its reserves to cool down the foreign exchange market.

The volatility in the foreign exchange market arose in the pandemic's aftermath and the situation worsened at the start of the Russia-Ukraine war in February last year.

Most global currencies depreciated notably against the US dollar due to supply chain disruptions in the global market.

Released yesterday, the report said currencies of major import partners, including Chinese yuan, Indian rupee, Japanese yen and Indonesian rupiah, witnessed substantial depreciations last year.

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Why foreign banks shun stock market

AHSAN HABIB

Nine foreign banks operating in the stock market owing largely to irregularities, speculation-driven investments and an inadequate number of well-performing companies that have gone public. They also don't feel confident about the stock market and trust the financial reports of the listed companies.

Thus, multinational banks' combined investment in the capital market stood at Tk 4.25 crore in 2022, which accounted for 0.02 percent of the total holdings in the stock market of the entire banking sector.

On the other hand, 43 local banks for which data were available invested Tk 16,314 crore collectively in the market, which put the average investment figure at around Tk 380 crore.

"The foreign banks are generating profits at a higher rate from their core business, so they have stuck to that," said Asif Khan, a stock market analyst and fund manager.

"Multinational banks do not want to take additional risks by investing in the stock market as their core business is paying back well."

Profits of the foreign banks surged 102 percent year-on-year to Tk 3,156 crore in 2022,

according to their financial reports.

Khan, also the chairman of Edge Asset Management, however, said that local banks are also aggressive in their core business and they are investing in the stock market in order to diversify their investments.

Standard Chartered

Tk 0.60 crore each.

When asked for comments on why HSBC is not investing heavily in the share market of Bangladesh, the world's largest trade finance bank said in an email reply: "For over 26 years, HSBC Bangladesh has strategically positioned international connectivity and global supply chain integration

proprietary investments in equity portfolios come mainly from institutional investors such as mutual funds, pension funds and asset managers aside from retail investors, he said, adding that HBL does not have the plan to invest in the stock market.

Barkat also said banks generally don't have the expertise to make investments in the stock market of Bangladesh.

"So, banks don't want to deploy depositors' money in the stock market."

Officials of Citibank NA and Standard Chartered Bangladesh declined to make any comments.

Toufic Ahmad Choudhury, a financial market analyst, says foreign banks prefer to invest in government securities to meet their requirement related to the statutory liquidity ratio.

"Stock market investment involves risks, so they don't want to invest there and they always avoid putting depositors' funds at risk."

In the financial system of Bangladesh, banks are disproportionately large, so all stakeholders see them as long-term investors in the stock market.

"Most investors trade in the market on a daily basis, but this is not expected," said Choudhury, who is the director-general of

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Bangladesh invested Tk 1.8 crore in listed stocks, the highest among the foreign lenders.

Four banks — Bank Alfalah, HBL Bangladesh, Woori Bank, and National Bank of Pakistan — have no investment in the capital market of Bangladesh.

Commercial Bank of Ceylon and State Bank of India invested Tk 0.94 crore and Tk 0.31 crore respectively in the stock market, their financial statements showed.

Citibank NA and HSBC Bangladesh had investments of

at the core of its operations." "HSBC's multifaceted approach encompasses wholesale, retail and market and securities custody and clearing services, harnessing its vast global network and international expertise in the country."

Selim Barkat, country manager of HBL Bangladesh, says the stock market in the country is usually considered riskier based on associated market volatility and liquidity in smaller bourses.

This is also true in the developed markets where

Deposit growth plunges in Islamic banks

AHSAN HABIB

Deposit growth of shariah-based banks in Bangladesh plunged in 2022 mainly due to lower confidence among savers after a number of scams in the sector were unearthed by the central bank.

Deposit growth of the Islamic banks dropped to 2.9 percent in 2022 while it was 20.1 percent the previous year, according to the Financial Stability Report 2022 of Bangladesh Bank.

A top official of a leading shariah-based bank, preferring anonymity, said fear was created among savers when a number of negative news came on various shariah-based banks.

"So, some depositors were reluctant to keep funds in banks," the official said.

And although all the banks did not suffer scams, the issue has had a residual effect on all shariah-based banks, he added.

Bangladesh Bank's Stability Report says the performance of Islamic banks improved in 2022 in terms of efficiency and capital adequacy indicators compared to 2021.

However, the performance of the Islamic banks deteriorated in terms of asset quality, growth and liquidity indicators.

"The increase in non-performing loans and rescheduled investment ratios is largely responsible for the deterioration of asset quality in 2022, whereas the growth indicator degraded due to slower growth of assets, deposits, investments, and equity of Islamic banks that year," it said.

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A herd of buffaloes is seen grazing at Chakarthinath Char, located 10 kilometres upstream of the Jamuna river in Sariakandi upazila of Bogura. Farmers in the area have become self-sufficient from rearing buffaloes, with Milk Vita paying Tk 70 per litre for milk they produce. The photo was taken recently.

PHOTO: MOSTAFA SHABUI

BB funds get costlier for exporters

STAR BUSINESS REPORT

The Bangladesh Bank has raised the interest rate for the loans secured from the Export Facilitation Pre-finance Fund (EFPF) and the refinance scheme for pre-shipment credit as part of its efforts to make rates market-based.

Customers will avail loans from the EFPF at a 5 percent interest rate, up from 4 percent previously, said the BB in a notice yesterday.

Banks will pay a 2 percent interest instead 1.5 percent to borrow funds from the central bank.

In January, the BB introduced the Tk 10,000 crore EFPF in order to help exporters revive their businesses. Exporters will have to use the funds to import raw materials.

The interest rate of pre-shipment credit increased to 5 percent from 3.5 percent at the end-borrower

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HSBC wins Asian Banking and Finance awards

STAR BUSINESS DESK

HSBC Bangladesh has won "International Retail Bank of the Year" and the "Best Marketing and Brand Initiative of the Year 2023" awards by the Asian Banking and Finance, a publication for banking and finance executives in Asia.

Tanmi Haque, head of wealth and personal banking of HSBC Bangladesh, received an award at Marina Bay Sands in Singapore recently. "This prestigious award is a testament to all our efforts, and it will keep inspiring us to go the extra mile for our customers," said Haque.

"This recognition will propel us to support our customers with their evolving international banking needs," said Md Mahub ur Rahman, chief executive officer of HSBC Bangladesh.

The bank won the "International Retail Bank of the Year" for the third time in a row, said a press release.

The awards recognised the strengths of the bank's personal banking capabilities and its commitment to opening up a world of opportunity for its customers through its international connectivity.



Tanmi Haque, head of wealth and personal banking of HSBC Bangladesh, receives an award at the award-giving ceremony of the Asian Banking and Finance at Marina Bay Sands in Singapore recently.

PHOTO: HSBC BANGLADESH

China issues guidelines to increase foreign investment

REUTERS, Beijing

China's State Council issued guidelines on Sunday that it said would further optimise the country's foreign investment environment and attract more foreign investment.

The State Council said in a document containing 24 guidelines that authorities should increase protection of the rights and interests of foreign investors, including strengthening enforcement of intellectual property rights.

The document also announced guidelines to increase fiscal support and tax incentives for foreign-invested enterprises, such as temporarily exempting withholding income tax for foreign investors' reinvestment of their profits into China.

The State Council also said it would explore a "convenient and secure management mechanism" for cross-border data flows. The proposal comes amid tensions between authorities and international enterprises, including global accounting firms, over data security.



Sharifa Khan, chairman of Infrastructure Development Company, presides over the company's 26th annual general meeting, which was held virtually recently.

PHOTO: IDCOL

Idcol declares Tk 120cr dividend

STAR BUSINESS DESK

Infrastructure Development Company Ltd (Idcol) declared a dividend of Tk 120 crore, including Tk 70 crore in cash, for fiscal year 2022-23 at its 26th annual general meeting recently.

Facilitating adoption of renewable energy technologies and promoting energy efficiency, the company's profit before tax and provision was Tk. 698.79 crore. Chairman Sharifa Khan, also secretary to Economic Relations Division, presided over the meeting, said a press release.

M Tofazzel Hossain Miah, Tapan Kanti Ghosh, Md Shahriar Kader Siddiky and Abu Hena Md Rahmatul Muneem, shareholders, Fatima Yasmin, Mohammad Salahuddin, Md Habibur Rahman, Nihad Kabir, Abdul Haque and AKM Nurul Fazal Bulbul, directors, and Alamgir Morshed, executive director and CEO, attended the meeting.

India's industrial output growth falls

REUTERS, New Delhi

India's industrial output growth rate slipped to a three-month low of 3.7 percent year-on-year in June, data from the Ministry of Statistics showed on Friday.

Analysts in a Reuters poll had forecast an expansion of 5.0 percent. Industrial output for May was revised to 5.3 percent from 5.2 percent.

Manufacturing, which accounts for about 17 percent of the Indian economy, rose 3.1 percent year-on-year in June, slowing down from a revised 5.8 percent annual growth rate recorded in May.

Electricity generation during June rose 4.2 percent over the same month a year earlier, while mining activities increased 7.6 percent, the data showed.

In May, electricity generation fell 0.9 percent, and mining activities increased 6.4 percent.

"The sequential slowdown was led by the manufacturing sector, while the mining and electricity sectors witnessed an improvement in their growth performance amid deficient rainfall in the month," said Aditi Nayar, an economist at ICRA.

India's central bank sees the economy growing 6.5 percent in the financial year to the end of next March, with growth led by government capital spending.

In June, infrastructure or construction goods production grew 11.3 percent year-on-year, unchanged from the downwardly revised annual growth rate for May. Capital goods grew 2.2 percent compared to a year earlier.

Consumer spending has been weak though there has been some pick-up in recent months.

Consumer durables output contracted 6.9 percent year-on-year in June from a revised year-on-year growth of 1.2 percent the previous month.

Midland Bank, NEC Money sign deal on remittance service

STAR BUSINESS DESK

Midland Bank Ltd signed an agreement with NEC Money Transfer Ltd, a UK based Global Money Transfer Company, enabling the former to disburse hard earned remittances of NRBs living in different parts of the world from its branches and agent banking centres through NEC Money.

Md Ahsan-uz-Zaman, managing director and CEO of the bank, and Farazy Ikram, chairman and CEO of the money transfer company, inked the deal at the bank's head office in Gulshan, Dhaka yesterday, said a press release.

NEC Money Transfer is a Bangladeshi owned fin-tech based remittance transfer company, which is widely known among Bangladeshi expatriates in the UK, Italy, South Africa, UAE, Australia, Canada and other EU countries.



Md Ahsan-uz-Zaman, managing director of Midland Bank, and Farazy Ikram, chairman of NEC Money Transfer, exchange signed documents of an agreement on remittance channeling service at the former's head office in Gulshan, Dhaka yesterday.

PHOTO: MIDLAND BANK



Mahbubur Rahman, chairman of Eastland Insurance Company Ltd, inaugurates the insurer's half-yearly "Business Conference-2023" at DCCI auditorium in Motijheel, Dhaka on Saturday. Among others, Abdul Haque, chief executive officer of the insurer, Arun Kumar Saha, consultant, Md Shafiqul Alam and M Golam Hafez, additional managing directors, and other senior executives of the insurer were present.

PHOTO: EASTLAND INSURANCE COMPANY

US investors flag retaliation risks after Biden's China tech curbs

REUTERS

While the market mostly shrugged off President Joe Biden's move to prohibit some US technology investments in China, US investors said they were worried Beijing would retaliate or pull back from buying American technology.

Aiming to protect national security and prevent US capital and expertise from aiding China's military modernisation, Biden this week issued an executive order barring some new US investments in China in sensitive technologies including computer chips, while regulating others.

US investors were unfazed by the initial news, saying that the restrictions, at first blush, were more limited than feared and unlikely to extend to passive investments in public Chinese stocks. But several portfolio managers said the bigger worry was whether China would strike back, as it has in the past.

"Much depends on how China decides to react to that. The very significant technology war between the countries is a big negative and the administration seemed to be trying to make that announcement

Biden this week issued an executive order barring some new US investments in China in sensitive technologies

without making too many waves with China," said Rick Meckler, partner at Cherry Lane Investments in New Jersey.

The iShares MSCI China Exchange Traded Fund, one of the largest ETFs of US-listed China-based companies, finished up 0.7 percent on Thursday, while the rest of Wall Street finished flat. In response to Biden's executive

order, China's commerce ministry said it was "gravely concerned" and reserved the right to take countermeasures. Some China analysts said Beijing's options are limited and would unlikely escalate the matter.

Others, though, thought that view was too optimistic.

China in May targeted US chip maker Micron Technology after Washington imposed a series of export controls on American components and chipmaker tools to China, and the US has accused Beijing of penalising other US companies amid growing tensions between the two global economic powerhouses.

"It is naïve to think that there won't be some type of retaliation from China," said Tom Plumb, CEO of mutual fund Plumb Funds. China could restrict exports of rare earths used in consumer electronics, electric vehicles, and other components, or target other US technology companies, Plumb said.

Why foreign banks

FROM PAGE B1

the Bangladesh Academy for Securities Market.

Worldwide, the insurance market plays a significant role by pouring funds into the long-run investment tools, but the non-depository financial institutions are still at a nascent level in Bangladesh.

They either keep their funds at banks as fixed deposits or buy assets, so their contribution to the stock market remains at a low level.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, says the capital market lacks well-performing companies and it is suffering from structural weakness.

"So, foreign banks consider their investment in the market is highly risky."

Analysts have long pinpointed the

weaknesses facing the stock market, but those weaknesses have been hardly addressed.

One of the weaknesses is manipulators are not punished in proportion to their crimes even though manipulation is rampant.

"The quality of financial reports of the listed companies is not up to the mark. As a result, most investors don't trust them," the economist said.

"The market is volatile due to the absence of a true market stabilisation mechanism while institutional investors behave like day traders," he said, adding that the supervision of the exchanges and the stock market regulator against the firms that exist merely in names is weak as well.

Another tendency that keeps multinational banks at bay is the dominance of weak firms when it comes to trading.

So, when an investor sees that "z" category companies or low-performing firms top the gainers' list or the turnover list, the confidence level of general investors receives a jolt.

"Until the government resolves all of the structural problems, foreign banks will not be interested to invest," Moazzem added.

A merchant banker thinks banks should not come to the stock market because they deal with short-term deposits while stocks are long term investment tools.

"If banks want to invest in the stock market, they need to gain proper expertise. So, it would be better for them if they invest through a fund manager."

He urged mutual funds, pension funds, insurance companies, and provident funds to invest in the stock market.

India's new rules

FROM PAGE B4

"But India has high tariffs on electronic components that go into manufacturing the laptops. Therefore, if India wants a manufacturing base, it needs to reduce tariffs and free up imports of components as well."

Under Prime Minister Narendra Modi's "Make in India" initiative, the government this year announced a US\$2 billion (S\$2.7 billion) incentive scheme to attract technology firms to manufacture IT hardware, including laptops and tablets.

This comes after a successful 2020 incentive scheme to push phone production in India, which leveraged companies seeking to diversify their supply chain amid the Covid-19 pandemic and worsening ties between China and the United States.

India, too, is dependent on China for IT hardware.

The Indian market for laptops and personal computers is worth around US\$8 billion annually, with around 65 per cent of laptops and personal computers being imported,

according to data from tech market research firm Counterpoint Research.

China accounts for 70 per cent to 80 per cent of these imports.

Still, domestic manufacturers have reacted positively and interpreted the new licence regime as being aimed at pushing them to make their products in India.

Indian electronics manufacturer Dixon Technologies, whose shares trended upwards after the licence announcement, said it would move in a "very aggressive" manner to capture market share.

"We feel strongly that the success story of the automotive sector - where India emerged as a manufacturing and export hub - could be replicated in electronics manufacturing," said Dixon chief financial officer Saurabh Gupta.

The licence announcement also came after Indian conglomerate Reliance launched its JioBook laptop, which has an 11-inch HD screen and is priced at 16,499 rupees (S\$270).

Lenovo, HP, Dell, Apple and Acer were the top five companies in the

personal computer segment in the second quarter of 2023, according to Counterpoint Research.

Apple, which started assembling the iPhone 14 in India in 2022 and now has 7 per cent of its global manufacturing share in the country, does not make iPads or MacBook laptops in India.

Apple did not respond to an e-mail sent by ST seeking comment on the licence requirement.

The Indian laptop manufacturing industry is seen to be still at a very early stage. Most parts are imported, including high-end chips, with a few items such as batteries being manufactured locally.

Other issues, according to a 2022 India Cellular and Electronics Association report, include a lack of adequate infrastructure, domestic supply chain and logistics, inadequate availability of quality power, limited design capabilities and focus on research and development by the industry, and inadequacies in skill development.

Dollar gains

REUTERS, New York

The dollar rose on Friday after a slightly bigger increase in US producer prices in July lifted Treasury yields higher even as speculation grows that the Federal Reserve is at the end of hiking interest rates. Rebounding cost of services at the fastest pace in nearly a year pushed the Producer Price Index higher and unsettled traders who also saw the yen cross the 145-for-\$1 threshold that triggered Japanese intervention in September 2022.

The PPI for final demand rose 0.3 percent, the Labor Department said, as data for June was revised lower to show the PPI unchanged, instead of rising by a previously reported 0.1 percent.

In the 12 months through July, the PPI rose 0.8 percent after a 0.2 percent gain the prior month. The PPI was forecast to climb 0.2 percent on the month and advance 0.7 percent year-over-year, a Reuters



Local jewellers should start focusing on finding ways to grab international markets, said an economist.

PHOTO: STAR/FILE

The dollar index, a measure of the greenback against six peers, rose 0.21 percent as it headed to a fourth straight week of gains

poll of economists showed. The market also has worried that rising energy costs will push up the consumer price index (CPI), but it's misplaced as PPI for energy was 0.0 percent on the month, Wizman said. "Everyone's concerned now about headline CPI being high because of energy prices, (but) you can't really get overly worked up about that if PPI final demand is 0.8 percent, right?" The dollar index, a measure of the greenback against six peers, rose 0.21 percent as it headed to a fourth straight week of gains, up about 2.9 percent after bouncing off a 15-month low in mid-July on signs of a resilient US labour market.

Govt should allow duty-free import of gold

Economist Ahsan H Mansur says

STAR BUSINESS REPORT

The government should facilitate the gold sector's growth by allowing duty free imports through private sector entrepreneurs, said noted economist Ahsan H Mansur yesterday. The growth never came about for preconceptions prevailing for long of gold being associated with smuggling and being meant only for the rich, he said. Drives of customs intelligence unit on illegal inflows yield little revenue, said Mansur, also executive director of Policy Research Institute (PRI). Sometimes these drives, in which the media tag along, seem like gold traders are being tried even before anything reaches courts, he said. To generate a bigger amount of revenue, the government could instead charge value added tax of 3 percent to 5 percent on sales following the duty-free imports, he said. Moreover, the gold policy needs to be in tune with present times, he added. Mansur was addressing a debate at Bangladesh Films Development Corporation in Dhaka over whether only private sector

entrepreneurs could develop the jewellery industry. India and China have turned into the biggest gold markets, with their jewellers exploring global designs and crafting ornaments for consumers all over the world, he pointed out. India exports \$14 billion-worth diamond jewellery a year while China has a dedicated economic zone where 20,000 small, medium and large-scale jewellers are running operations, he said. Bangladesh could not utilise similar potentials with the very skilled goldsmiths here opting for local consumers rather than showcasing their designs and fashion at the international level, missing out on generating international products, he said. Local jewellers should start focusing on finding ways to grab international markets, he added. On another note, the economist said the outbreak of the Russia-Ukraine war prompted the taka's devaluation in one go, although it was bound to happen as the local currency was wrongly kept overvalued artificially for the past 12 years.

So International Monetary Fund made the correct prediction that the local GDP will lose \$40 billion this year only for the taka's devaluation against the US dollar, he said. Regarding printing of money to meet budgetary allocations, Mansur said it was reproachable as the government could instead borrow from the banking sector. However, with the banking sector not doing well for different reasons, it was unable to lend more money to the government, he said. For every Tk 100 spent, the government used to locally borrow Tk 22 in 2013 and this went up to Tk 37 last year, he said. The jewellery industry can also contribute like the garment sector as it has a lot of potential, said Hassan Ahmed Chowdhury Kiron, chairman of the Debate for Democracy, which organised the debate. However, nearly 90 percent of the imported gold arrives through illegal channels, for which the sector could not formally take shape as an industry yet, he said. Debaters of Dhaka College won the competition while those of the BGMEA University of Fashion and Technology became runners-up.

Cut interest tax from mutual funds' deposits BB asks banks

STAR BUSINESS REPORT

Bangladesh Bank in a circular yesterday directed scheduled banks to follow a National Board of Revenue (NBR) clarification to cut source tax on the interest income or profit of mutual funds from associated fixed deposits with the banks. A mutual fund is a financial vehicle operated by professional managers to gather money from shareholders to invest in securities like stocks, bonds, money market instruments, and other assets to produce capital gains or income to be shared as dividend. The banks will have to cut the source tax on the interest income or profit from the fixed deposits of mutual funds, regardless of what is stated in any other circular or income tax law of 2023, said the revenue authority. The NBR provided the clarification against a letter from Agrani Bank in this regard and requested the central bank to direct all the banks to follow the same.

S Korean firm to invest \$8.62m in Bepza EZ

STAR BUSINESS REPORT

Dongwoo BD Ltd, a South Korean company, is going to set up a shoe accessories manufacturing industry inside Bepza Economic Zone (EZ) with an investment of \$8.62 million. This fully foreign-owned company will annually produce 3.6 million metres of all kinds of PU (polyurethane) synthetic leather, according to a statement of Bangladesh Export Processing Zones Authority (Bepza). The manufacturing industry will also create employment opportunities for 513 Bangladeshi nationals, it said. In presence of Bepza Executive Chairman Major General Abul Kalam Mohammad Ziaur Rahman, Bepza's Member for Investment Promotion Ali Reza Mazid signed an agreement with Dongwoo BD Ltd's Chairman Kim Dong Kyu at Bepza Complex in Dhaka on August 10, according to the statement.

Power crisis costs Vietnam \$1.4b: WB

AFP, Hanoi

A severe power shortage in Vietnam caused by an intensely hot spell and unprecedented drought in May and June cost the country \$1.4 billion, according to the World Bank. Northern Vietnam suffered rolling blackouts and sudden power outages, with operations at a large number of factories badly impacted. Some businesses were given very little notice or had no warning at all.

Pubali Bank holds branch managers' conference

STAR BUSINESS DESK

Pubali Bank Ltd organised the "2nd Branch Managers' Conference 2023" for Sylhet region's officials of the bank at Sylhet Station Club recently. Mohammad Ali, managing director and chief executive officer of the bank, attended the daylong conference as the chief guest, said a press release. Ali emphasised the imperative of expanding the bank's operations through the provision of advanced and contemporary banking services. Highlighting the bank's status as the largest private commercial bank in Bangladesh, he underscored the institution's unwavering commitment to transparent lending practices to foster sustainable growth. He urged the managers to meticulously select qualified individuals and institutions for credit disbursement, especially in the spheres of agricultural and industrial development.



Mohammad Ali, managing director of Pubali Bank, attends "2nd Branch Managers' Conference-2023" for Sylhet region of the bank held at the Sylhet Station Club recently.

PHOTO: PUBALI BANK

Thailand's inflation lowest in Southeast Asia

ANN/THE STRAITS TIMES

Thailand's inflation rate is the lowest among the seven Asean countries which have already announced their rates, with inflation for the whole year expected to range between 1 per cent and 2 per cent, according to Poonpong Naiyanapakorn, director of the Commerce Ministry's Trade Policy and Strategy Office. He said Thailand's low inflation rate is in line with global inflation, which is steadily falling. The consumer price index for July is equivalent to 107.82, up 0.38 per cent year on year. The low inflation rate is attributable to a drop in food prices, such as pork, which has declined for three consecutive months, and energy prices falling for five months in a row, Vietnam news agency (VNA) reported.

Prices of food and non-alcoholic drinks in July increased an average of 1.49 per cent year on year. However, the prices of farm products, such as eggs, rambutan, vegetables, lime, ginger and tomato remain high due to low yields caused by climatic change, it reported Poonpong said. Non-food products, such as electrical appliances, garments and smartphones witnessed a price decrease of 0.38 per cent against the same period last year while cooking gas prices, public transport fares and personal services rose compared to the corresponding period last year. Poonpong said that the basic inflation rate, excluding fresh food and energy, was up 0.86 per cent year on year. The inflation rate for the first seven months of this year increased by 2.19 per cent from the same period last year, which is within the range set by the Fiscal Policy Office.

BB funds get costlier

FROM PAGE B1 level, the central bank said in a separate notice. Banks can receive funds at a 2 per cent interest rate, which was 0.5 percent previously. The pre-shipment credit is a loan granted to an exporter for financing the purchase,

processing, manufacturing or packing of goods prior to shipment. In June, the BB introduced the market-driven lending rate for banks and non-banking financial institutions, replacing the 9 per cent lending rate cap that had been in place since April 2020.

Taka fell 13.3% vs dollar

FROM PAGE B1 The Pakistani rupee depreciated the highest, by 22 percent. The Japanese yen followed suit with 14 percent, as per the report. The value of the euro and UK pound sterling, two major export earning currencies, also plummeted substantially, making exports to those regions less

appealing. The euro depreciated by 6 percent and the UK pound sterling depreciated by 10 percent against the US dollar last year, the report showed. Currencies such as the Russian ruble and the Singaporean dollar recorded a modest increase in 2022, by 2 percent and 1 percent respectively.

Deposit growth plunges

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The situation in Islamic banks was so dire that from last December the central bank started monitoring five of them that had daily logs of sanctioned credit amounting to more than Tk 10 crore. Furthermore, it asked two banks to pause giving big loans. Total assets of shariah-based banks grew by 10.3 percent in 2022 while it was 21.6 percent in 2021, Bangladesh Bank data shows. In the capital position, the capital to risk-weighted assets ratio (CRAR) of the Islamic banking cluster dropped marginally at the end of December 2022. Meanwhile, the aggregate return on asset of Islamic banks increased to 0.52 percent in 2022 from 0.45 percent in 2021. In this regard, net income from investment in securities and income from commission, fees and brokerage charges played a significant role to raise the return on assets.

In the liquidity parameter, the Islamic banks could not maintain the liquidity coverage ratio (LCR) in line with the Basel III standard, the central bank said. In addition, the investment-deposit ratio (IDR) was within the regulatory limit but registered a significant increase in 2022 compared to 2021. The aggregate IDR increased to 91.4 percent in 2022 from 84.7 percent in 2021. The higher investment growth (15.6 percent) compared to lower deposit growth (2.9 percent) during the year 2022 was partially responsible for this notable increase in IDR, it said. At the end of December 2022, a total of 10 full-fledged Islamic banks with 1,654 branches were operating in Bangladesh. Also, eleven conventional banks operating through 23 Islamic banking branches and 14 conventional banks operating through 535 Islamic banking windows were providing Islamic banking services.

Local banks have

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In contrast, the CAR of private banks was 13.08 percent and that of foreign banks stood at 31.48 percent. Eleven banks faced a capital shortfall at the end of March, with Bangladesh Krishi Bank posting the highest deficit of Tk 14,094 crore among all lenders. Salehuddin Ahmed, a former governor of the central bank, said a large portion of loans have remained stuck with defaulters, meaning banks don't get any return from them. "Besides, there are loans that have been rescheduled and written off." Banks' capital base usually widens when they can make equity investments and re-invest. "How will banks invest or reinvest since the income of a majority of them has fallen," Ahmed said, adding that banks' risk-weighted assets pile up when their capital base weakens.

The former governor says foreign investors feel discomfort when lenders' capital base worsens. "The banking regulator is aware of the current situation of banks but it is not taking any effective initiative."

Refiners cut

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Tk 135 a kg, down by 3.5 percent from the earlier rate. Loose sugar prices will be Tk 130 a kg, down from Tk 135. The revised prices of sugar and soybean oil will be effective from today, according to BSRA and Bangladesh Vegetable Oil Refiners' and Vanaspati Manufacturers' Association. Imports meet more than 90 percent of its annual requirements for edible oil and sugar because of its very low domestic production.

Money market funds draw robust inflow

REUTERS

Global money market funds attracted robust inflows in the week to August 9, reflecting investor caution ahead of US inflation readings and as Chinese economic data remained weak.

Investors ploughed \$73.17 billion into money market funds in their biggest weekly net purchase since March 22, data from Refinitiv Lipper showed.

Inflation data released on Thursday showed US consumer prices increased moderately in July, boosting expectations that the Federal Reserve will leave interest rates unchanged next month.

Weak economic data from China, where exports and imports contracted in July, also affected risk sentiment.

US money market funds attracted a net \$40.88 billion in inflows while in Europe and Asia net inflows stood at \$23.4 billion and \$13.15 billion, respectively.



A worker is seen arranging bitter gourds into a neat stack on the back of a truck, which will then transport the vegetable to nearby wholesale markets. The picture was taken from Barakpur Bazar in Bagerhat recently.

PHOTO: HABIBUR RAHMAN

Card transactions hit all-time high

MAHMUDUL HASAN

Transactions through cards hit an all-time high in June thanks to increased economic activities during Eid-ul-Azha as consumers enthusiastically embraced the spirit of the occasion by making purchases.

ATM, POS, CRM and e-commerce transactions through cards rose 15 percent month-on-month to Tk 48,590 crore in June, according to the latest data of Bangladesh Bank.

Transactions through debit cards increased by 16 percent to Tk 45,384 crore at the same time.

"We have witnessed a surge in spending in retail shops through debit cards. Eid has an impact on this spike," said Md Mahiul Islam, head of retail banking at BRAC Bank.

According to him, debit card transactions have increased in recent times.

On the other hand, spending through credit cards saw a slight drop.

Credit card transactions dropped by 0.34 percent month-on-month in June to Tk 2,583 crore.

During Eid-ul-Azha, funds are primarily directed towards purchasing livestock for sacrifice, favouring cash transactions due to cultural practices, said Syed Mohammad Kamal, country manager for Bangladesh at Mastercard.

"So, we didn't see an increase in spending in shops through credit cards. Besides, people are not spending on lifestyle products in recent times," he said.

"But in July, credit card spending increased substantially as many were travelling after Eid," Kamal added.

Prepaid card spending stood at Tk 41 crore in June, up from Tk 35 crore in May.

Similarly, e-commerce transactions through cards increased by Tk 122 crore to Tk 1,391 crore in June, as per central bank data.

According to industry people, there is a correlation between the surge in card-based e-commerce spending and the timing of Eid.

There are 3.21 crore debit cards, 22 lakh credit cards and 42 lakh prepaid cards issued so far, central bank data shows.

Number of bank branches keeps rising

MD ASADUZ ZAMAN

The number of bank branches in Bangladesh rose to 11,212 in June 2023, up 2.11 percent year-on-year, according to central bank data.

Of them, 5,856 branches are located in urban areas while 5,356 are in rural areas, as per the Bangladesh Bank review of e-banking and e-commerce statistics.

The growth trend has been on the rise for the past three years.

In June 2020, the year-on-year growth was 2.90 percent while it was 1.72 percent in 2021.

In October 2022, branches of banks in Bangladesh went past the 11,000-mark for the first time.

The scheduled banks facilitate financial transactions by opening branches and installing automated teller machines (ATMs), point of sale (POS) devices, cash deposit machines (CDMs), and cash register machines (CRMs) in urban and rural areas.

There were 13,704 ATMs, 1.06 lakh POS machines, 415 CDMs, and 3,335 CRMs across the country in June.

The review showed that about 3.27 crore cardholders made transactions in June worth Tk 33,877 crore while 52.96 lakh POS holders handled Tk 2,924 crore.

The number of issued debit cards stood at 3.21 crore in June while that of credit cards was 22.38 lakh and prepaid cards was 42.69 lakh.

Digital fabrics development aiding exports

REFAYET ULLAH MIRDHA

Bureau 555, a joint venture between two entrepreneurs of Bangladesh and the United Kingdom, has been facilitating garment exports through the country's first digital fabrics development facility in Gulshan, Dhaka.

The facility aims to deliver quick testing reports on fabrics for international clothing retailers and brands.

It tests the fabrics' strength, elongation, bending, thickness and weight, which are mandatory data that determine the quality of finished fabrics to be used in garment items.

Usually, such data is collected at the factory level but it cannot be simulated in the fabrics as conventional testing mechanisms do not have the required facilities.

The digital fabrics development facility creates high-quality 3D samples using efficient digital workflow.

Digital fabrics development conserves the manufacturing, shipping and storage cost of garment samples and also reduces time, carbon emissions, wastage and physical sampling costs.

In the digital workflow, buyers send a piece of fabric and request the Bureau 555 to prepare data on it. The company then digitises the fabric, trims, and reviews the pattern to create and a 3D garment data for buyers.



Based on the data, the patterns are made and then the manufacturers go for bulk production of the garment items as per the work orders from international retailers and brands.

Bureau 555 was established in Dhaka in February 4, 2021, for quick testing of fabrics used in making garments, said Nusrat Mahmud, co-founder of the company, which has an office in London.

Mahmud, also a director of Hamid Fabrics Limited, said she required quick product development during the Covid-19 pandemic as international buyers were placing a bulk quantity of work orders.

However, she was facing difficulties in product development as offices and labs were shut and it was difficult to reach them because of the lockdown and other restrictions. As such, she was in a puzzle at the time as buyers were putting pressure on her for quickly developing fabrics.

Without finding a quick solution, she started looking for such a facility where the product could be developed digitally.

After searching, finally she found a digital product development facility in Hong Kong, where she prepared the data.

However, this was an expensive initiative, especially amid the

pandemic.

So, Mahmud planned for a similar facility in Dhaka so that local garment makers and suppliers can easily and quickly complete the development of fabrics for making garments with accurate data.

Mahmud set up the facility with her British co-founder Gabrielle Shiner-Hill, who is a digital expert and teaches in universities and factories in different countries.

Recently, Bureau 555 joined Germany's DMX as a strategic partner.

The company has been charging \$35 for scanning a yard of fabrics and \$75 for scanning and testing the result of samples, Mahmud said.

Currently four international clothing retailers and brands are clients of the company, she added.

Bureau 555 was formed with funds from the UAL and British Council, Mahmud said, adding that she will soon expand the facility as local and international retailers and brands have been placing a lot of orders.

Gabrielle Shiner-Hill said the cost and time for product development reduced significantly because of the facility in Dhaka.

Gerd Willschütz, the founder of DMX, said standardisation is very important for making garments because technologies are evolving in the digital world.

COMPUTER IMPORT India's new rules creating uncertainty

ANN/THE STRAITS TIMES

A recent decision by the Indian government requiring firms to get a licence to import personal computers could hinder the country's efforts to improve the ease of doing business, said trade experts and industry watchers.

The Commerce Ministry on August 3 announced that companies will need a government licence to import laptops, tablets, personal computers and servers, bringing an end to earlier unfettered imports, even as the South Asian country aims to be a global electronics manufacturing hub.

Amid an anticipated scramble for licences, confusion over incoming shipments and concern that the new rule would hurt consumer sales during the October run-up to the festivals of Durga Puja and Deepavali, the government pushed back implementation by three months to Oct 31.

While the Indian media reported that the government will not cap imports and will provide licences quickly, many commentators noted that the move was reminiscent of Licence Raj - a regime of strict government control and regulation of the Indian economy from the 1950s to 1990.

They said the new licence system had triggered some uncertainty. The move is also reportedly aimed at weeding out Chinese firms seen as security risks.

"For India to build a strong domestic electronics manufacturing sector, it cannot escape being tied to the global value chains, which means allowing companies to import electronic components and laptops freely," said Assistant Professor Anupam Manur at the Takshashila Institution, a Bengaluru-based independent think-tank and school of public policy.

READ MORE ON B2

Crypto investors' wallets at risk of attacks: study

ANN/THE STRAITS TIMES

Millions of retail and institutional cryptocurrency investors face the risk of funds being drained from their digital asset wallets without their knowledge because of new security flaws, a study has found.

Research by digital asset custody firm Fireblocks found that the series of vulnerabilities, dubbed BitForge, impacted popular wallet providers like Coinbase WaaS, Zengo and Binance, among dozens of other providers.

BitForge refers to security flaws in software or products that are unknown to the vendor, and which have not been fixed or patched. The flaws were discovered by Fireblocks researchers and confirmed in May.

If they are unresolved, the firm said, attackers will be able to drain funds from the wallets of millions of retail and institutional customers in seconds, without the knowledge of the user or vendor.

"As with any vulnerability discovery, when the service provider's code is close-sourced, we can only take their word on whether it has been fixed," said the firm.

"The researchers at Coinbase and Zengo are well known within the space

and worked very closely with Fireblocks' research team expeditiously and with transparency to ensure that their vulnerabilities were patched."

The firm added that the vulnerabilities have not been exploited yet, and it would

be impossible to know if an attacker has succeeded in stealing a private key until the funds are moved to a new wallet.

The flaws were found in some of the cryptographic multi-party computation (MPC) protocols, including GG-18, GG-

20 and implementations of Lindell 17. These MPC protocols are the most used by wallet providers.

Typically, when a single private key is stored in one place, a wallet's owner would need to trust that the device or party that holds that private key is completely secure. With MPC, the private key is decentralised. It is broken up into shares, encrypted, and divided among multiple parties, so there is no single point of failure.

Pavel Berengoltz, co-founder and chief technology officer at Fireblocks, said that MPC is now ubiquitous within the digital asset industry, but not all MPC developers and teams are created equal.

"Companies leveraging Web3 technology should work closely with security experts with the know-how and resources to stay ahead of and mitigate vulnerabilities. Maintaining and updating core infrastructure technologies, like Web3 wallets, is crucial in preventing thefts and attacks, which amounted to nearly US\$500 million (\$674 million) in the first half of 2023," he said.

The findings were presented at the Black Hat USA conference in Las Vegas on Thursday.



A representation of cryptocurrency Ripple is seen in this illustration.

PHOTO: REUTERS