Star BUSINESS

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 **4.25**cr

Local banks' total investment Tk **16,314**cr

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 Tk **32,494**cr | 2022 Tk **32,178**cr

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.

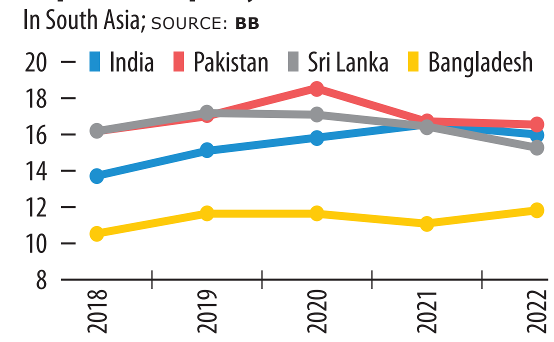
In 2017, local banks maintained a 10.8 percent CAR while India had a CAR of 13.9 percent, Pakistan 15.8 percent, and Sri Lanka 16.4 percent.

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 Bangladesh hardly invest 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 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 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 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 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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STOCKS

DSEX ▼	CASPI ▼
0.14%	0.16%
6,287.81	18,568.80

COMMODITIES AS OF FRIDAY

Gold ▲	Oil ▲
$1,913.83 (per ounce)	$83.04 (per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.56%	▲ 0.84%	▼ 0.86%	▼ 2.01%
65,322.65	32,473.65	3,294.28	3,189.25

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 SHABUJ

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 per cent at the cent borrower

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