

Star BUSINESS

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OBJECTIVE

Main objective of the tariff policy is to liberalise trade

LIBERALISATION OF TARIFF POLICY

Makes local companies more competitive in global markets



Protects infant industries for a certain period



DUTY AND TARIFF

Average rate of import duty in fiscal 2022-23 was **15.09%**

Average protective tariff was **30.58%** in the fiscal 2022-23



Number of weak NBFIs on the rise

Higher NPLs to blame

MD MEHEDI HASAN

Fourteen non-bank financial institutions (NBFIs) out of a total of 35 were in the red zone last year as per the stress test report of the central bank.

This was an increase from 12 seen in 2021, according to the Bangladesh Bank Stability Report 2022.

Last year, seven NBFIs were in the yellow zone and 14 in the green zone.

The NBFIs that possess sound financial health belong to the green zone, while those with moderate health conditions are in the yellow zone and those with weak conditions are grouped in the red zone.

The BB said that 21 NBFIs would remain resilient under stress scenarios, but 14 are vulnerable to different types of credit risks mainly to a rise in non-performing loans (NPLs).

The report did not cite the name of the NBFIs.

Since 2020, the number of NBFIs in sound shape has continued to fall while the number of those with weaker health has kept rising.

The number of NBFIs with sound health was 18 in 2020 and it dropped to 16 in 2021 and 14 in 2022. On the other hand, the number of weak financial institutions was

13 in 2020 and 12 in 2021.

The BB report blamed the default of large borrowers for the spike in the NPLs.

The highest 19 percent of the loans and leases of NBFIs were concentrated in the power, gas, water and sanitary service sectors while 14 percent was in the garment sector and 11.44 percent in the textile sector.

14 non-banks were in the red zone in 2022, up from 12 in the previous year

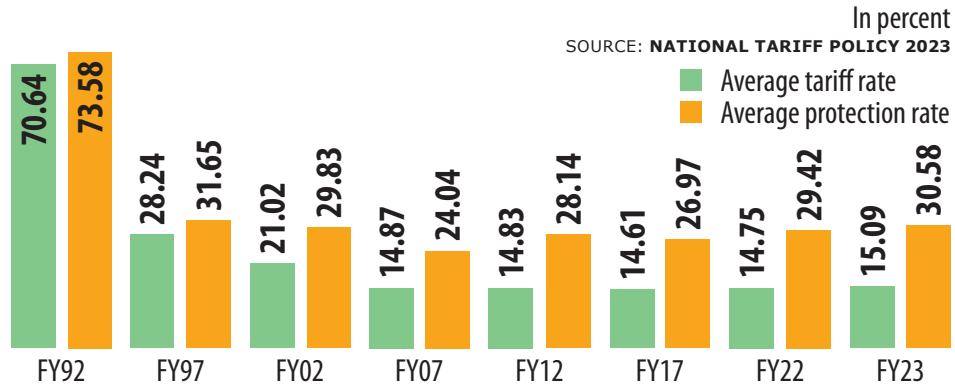
In March, NPLs stood at Tk 17,855 crore in the NBFIs sector, up more than 25 per cent from Tk 14,232 crore a year ago, BB data showed. The bad loans represented about a quarter of the total credits disbursed.

"The growing default loans are the main reason behind the weak situation of 14 NBFIs," said Md Golam Sarwar Bhuiyan, chairman of the Bangladesh Leasing and Finance Companies Association.

Borrowers enjoyed a deferral facility to pay back loans in 2020 and 2021 due to the Covid-19 pandemic. The withdrawal of the facility last year pushed up the volume of bad loans, he said.

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CHANGES IN TARIFF RATES SINCE FY92



Govt frames maiden tariff policy

Aims to liberalise rates to make firms competitive in post-LDC era

REJAUL KARIM BYRON and REFAJET ULLAH MIRDDHA

Bangladesh has formulated its maiden tariff policy to improve the competitiveness of local companies in the international market as they brace for an increased competition after the country becomes a developing nation in 2026.

The commerce ministry published a gazette on the National Tariff Policy on August 10.

It aims to rationalise the import tariff structure as the country will not enjoy the preferential trade facility after it leaves the group of least developed countries (LDCs).

Thanks to a high protection locally for a long time, domestic industries are reluctant to compete in the international markets and to be more competitive globally. Rather, they prefer to sell their goods in the domestic markets.

The rationalisation of tariffs will accelerate economic activities and generate more jobs while the government will gradually cut its dependency on import duties.

For instance, Bangladesh imports raw materials and intermediate goods worth \$30 billion annually from China to feed its local and export-oriented industries, yielding more than Tk 25,000 crore in duties.

However, after the rationalisation of the tariffs, the government might not be able to collect such a huge amount of revenue in the form of import duties alone on Chinese raw

materials and intermediate goods.

It is, however, expected that more goods will be imported at lower prices, allowing local entrepreneurs to add more value to their export-oriented items and be more competitive in the international market and paving the way for more economic activities and more revenues.

The National Tariff Policy aims to rationalise the import tariff structure as the country will not enjoy preferential trade facility after it leaves the LDC club

Besides, if the tariffs are fixed in line with global rates, more foreign direct investments might flow into Bangladesh since the cost of production in the country would decline.

Over the past few decades, the government has raised the supplementary and protective duties to offset the fall in revenue collection and protect domestic industries from international competitors, the gazette notification said.

As a result, the efforts to make local firms competitive have been affected.

Mostafa Abid Khan, a former member of the Bangladesh Trade and Tariff Commission (BTTC), says one of the major objectives of the

tariff policy is to resolve many complexities in import tariffs since some are enjoying more benefits while some are not.

"Moreover, a high tariff is no more viable to attract foreign investments and make domestic industries globally competitive."

He warns that if taking preparation does not begin now, it would be difficult to be ready for the post-LDC era.

Import tariffs, comprising customs and regulatory duties, account for 10 percent of the total tax revenue of the government.

Khan said it is possible to generate the same amount of revenue from the domestic market if economic activities accelerate and more jobs are created.

A national committee will periodically review industries and advise the government to protect them, if required.

The committee will also recommend measures in favour of infant industries so that they can thrive and contribute more to the economy, Khan added.

Senior Commerce Secretary Tapan Kanti Ghosh said Bangladesh has always imposed tariffs unilaterally, but retaining the same practice would be difficult following the LDC graduation.

Bangladesh is negotiating with major trading partners to sign bilateral trade agreements to retain the preferential trade facility after graduation. But in the high tariff regime, the countries may not agree to ink such deals.

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CYBER THREAT

Some BB services may be unavailable for 36 hours

STAR BUSINESS REPORT

Some web-based services of the central bank would remain inaccessible from 8pm on Monday to 8am on Wednesday as it would carry out emergency system maintenance activities, said the Bangladesh Bank in a notice yesterday.

It gave no other details.

The central bank will remain closed today on the occasion of National Mourning Day.

A central banker, seeking anonymity, said that the suspension of the web-based services is linked to the alert the government's Computer Incident Response Team has issued to banks, financial institutions and other organisations over possible cyber-attacks on August 15.

The alert was issued after hacker groups said on July 31 that they would launch a storm of cyberattacks against Bangladesh's cyberspace on the day.

Agent banking branching out even further

MD ASADUZ ZAMAN

Agent banking, which helps bring banking services to unbanked people, continues to gain ground in Bangladesh as the number of accounts, deposit collection and loan disbursement are on the rise.

The number of accounts opened through agent banking outlets rose 23 percent year-on-year, or 37.76 lakh, to 1.98 crore in June 2023, according to central bank data.

Of them, 1.71 crore are from rural areas and 26.85 lakh from urban areas. In comparison with June 2019, the number accounts increased by around 481 percent from 1.22 crore.

The overall deposit balance with agent banking stood at Tk 366,258 crore as of June this year, registering an increase of 18 percent year-on-year, Bangladesh Bank data shows.

The number of accounts opened through agent banking outlets rose 23 percent year-on-year, or 37.76 lakh, to 1.98 crore in June 2023, according to central bank data

Loan disbursement through the agent banking channel was Tk 854 crore that month, up 27 percent year-on-year.

Besides, migrant workers used the service to send home Tk 3,029 crore in June, up 33 percent from Tk 2,272 crore during the same month in 2022.

Similarly, the number of transactions rose 10 percent to about 2.13 crore in June compared to the same month the year before and transaction volume swelled by 24 percent to Tk 72,693 crore.

Meanwhile, the number of agents jumped 8 percent year-on-year to 15,510 while the total number of outlets reached 21,861 by the end of June, up 8 percent compared to the same month a year ago.

The number of accounts held by men advanced 22 percent to about 97 lakh and the number of accounts owned by women went up by a staggering 25 percent to around 98 lakh at the same time.

"Agent banking is a good model as people are using it with ease," said Md Arfan Ali, former managing director of Bank Asia, which pioneered the new banking model in the country in January 2014.

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New FBCCI chief plans a world trade centre for Dhaka

STAR BUSINESS REPORT

Mahbul Alam, the newly elected president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), has expressed his commitment to bolster trade and business in the country in the days ahead.

The outgoing board of directors led by former president Md Jashim Uddin, who held the position from 2021 to 2023, handed over the responsibilities to the new board at the FBCCI office in Dhaka yesterday.

"Our collective efforts will drive growth in the private sector. I urge for everyone's collaboration in this journey," Alam said after assuming office.

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One of the handful of people who refuse to give up their traditional yet dying skill in operating handlooms. Though power looms have mostly taken over with their ability to produce fabric at a faster and cheaper rate, handloom fabrics are often softer in texture and more resilient. The photo was taken from Chattogram city's Panchlaih area recently.

PHOTO: RAJIB RAIHAN

STOCKS	
DSEX ▼	CASPI ▼
0.48%	0.35%
6,257.14	18,503.35

COMMODITIES	
Gold ▲	Oil ▼
\$1,914.32	\$82.96
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.12%	▼ 1.27%	▼ 1.41%	▼ 0.34%
65,401.92	32,059.91	3,247.70	3,178.43