DHAKA THURSDAY NOVEMBER 2, 2023, KARTIK 17, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

A vessel bound for Singapore delayed its departure from Ctg port yesterday as some export containers failed to reach on time amid blockade.

Story on B4

FBCCI calls for political stability

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday expressed concern over ongoing political unrest centring the upcoming parliamentary elections in January.

It also urged political parties to refrain from adopting demonstrations such as hartals and blockades in the greater interest of the economy and the masses who are already reeling from high living costs.

The economy is still trying to cope with the severe fallouts of the Covid-19 pandemic and Russia-Ukraine war, which have also affected the global supply chain for which the cost of doing business has increased abnormally.

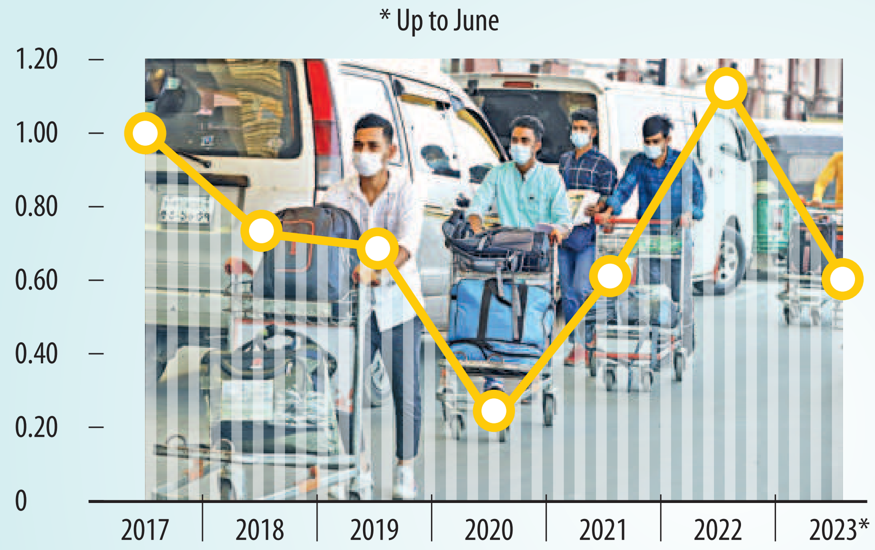
In such a situation, political programmes like hartals and blockades

READ MORE ON B3

OUTBOUND MIGRATION TRENDS

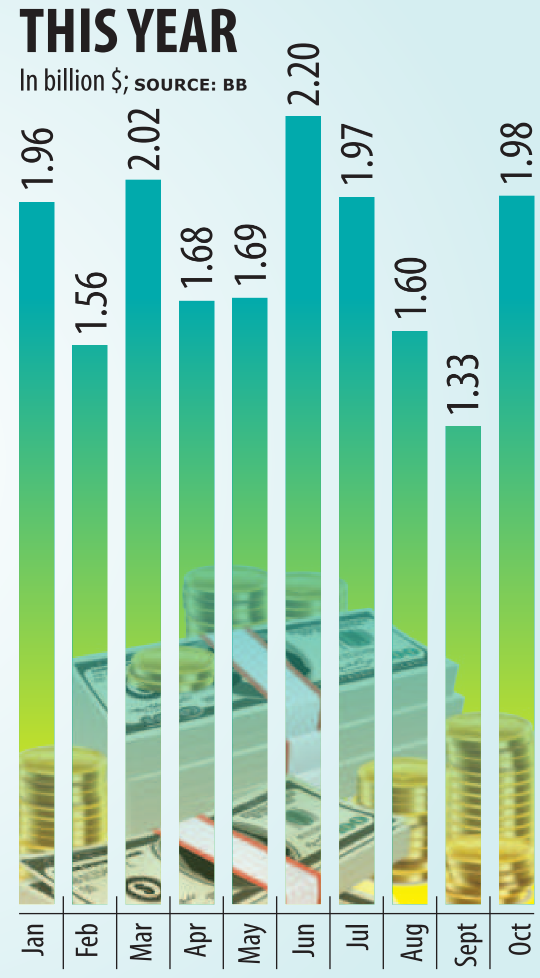
In million; SOURCE: BMET

* Up to June



REMITTANCE EARNINGS THIS YEAR

In billion $; SOURCE: BB



TO ATTRACT REMITTANCES

- Govt provides **2.5%** incentive
- Banks allowed to offer as much incentive as they want

BOTTLENECKS

- Wide gap between formal and informal exchange rates
- A portion of remittance is channelled through hundi
- Lingering political uncertainty may accelerate capital flight
- Hundi cartels may become more active

'Political support needed to heal banking ills'

STAR BUSINESS REPORT

Political support and a strong Bangladesh Bank are crucial to deal with the challenges, including high non-performing loans (NPLs), in the banking sector, said Mustafa K Mujeri, a former chief economist of the central bank, yesterday.

"Introducing policy measures is not enough -- the central bank will have to implement the policy to bring governance to the banking sector," he told The Daily Star after a meeting with the BB high-ups.

Senior central bankers met with Mujeri, also the executive director of the Institute for Inclusive Finance and Development, and Binayak Sen, director-general of the Bangladesh Institute of Development Studies, as part of their move to take opinions from local economists and think-tanks on how to ride out the current economic challenges.

Abdur Rouf Talukder, governor, and Khairuzzaman Mozumder, the finance secretary, were present at the meeting, where Md Habibur Rahman, chief economist of the BB, presented a paper on the prevailing economic situation.

The meeting discussed issues ranging from higher inflation, falling foreign currency reserves, the exchange rate to the governance in the banking sector and NPLs.

Mujeri said that the central bank officials highlighted the current economic scenario and the policy measures they have taken to tackle the crisis.

"We suggested the central bank take strict measures to reduce NPLs."

In June, NPLs totalled Tk 156,039 crore, representing 10.11 percent of the disbursed loans in the banking sector, central bank figures showed.

"There has always been governance problem in the state-run banks. Now a major portion of private commercial banks are also facing challenges due

READ MORE ON B3

Sugar import duty halved

STAR BUSINESS REPORT

The import tariff on raw and refined sugar was halved by the National Board of Revenue (NBR) yesterday in an attempt to contain prices in the domestic market.

Importers will need to pay Tk 1,500 as specific duty on the import of each tonne of raw sugar, down from Tk 3,000 earlier, said the NBR in a notification.

Similarly, specific duty on refined sugar was slashed to Tk 3,000 per tonne from Tk 6,000.

The revenue administration, however, retained a 15 percent value added tax (VAT) and 30 regulatory duty on raw and refined sugar import.

The reduction was based on the commerce ministry's recommendation.

Bangladesh is highly dependent on the import of the sweetener and its price has gone up over the last one year in a ripple effect stemming from international markets and an increase in the cost of the US dollar.

Sugar prices rose to $0.58 per kilogramme (kg) in September from $0.53 a month ago, according to the World Bank Commodities Prices data.

READ MORE ON B3

Remittance hits 4-month high on higher incentive

MD FAZLUR RAHMAN

Migrant workers sent home $1.98 billion in October, a four-month high, as banks stepped up efforts to woo more remittance buoyed by a relaxed central bank rule on incentive, a development that is expected to give some relief to a country reeling under the foreign exchange crisis.

The receipts in last month were nearly 30 percent higher than in the same month last year when remittance brought in $1.53 billion and up about 50 percent from a 41-month low of $1.33 billion in September this year, according to the Bangladesh Bank.

The elevated remittance transfer might be the result of a central bank instruction, albeit verbal, that allowed banks to provide as much incentive as they wanted as the BB looked to accelerate the inflow of US dollars.

Overall, families and relatives of the workers received $6.89 billion in the first four months of the current financial year of 2023-24, a decrease of 4.3 percent from $7.20 billion in the identical period from a year ago.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, described the turnaround as encouraging.

"It will be more reassuring if the positive trend continues for at least two consecutive months. We saw such fluctuations in the past but the overall inflows did not increase much at the end of the year since the momentum did not last."

The flow of remittance has increased in recent weeks, said a banker in Chattogram.

The higher inflows could hand some respite to the economy creaking under the strain stemming from a sharp decline in foreign currency reserves.

On October 25, the foreign currency reserves stood at $20.89 billion, enough to meet around four months' import bills. It was about $40.7 billion in August 2021.

Remittances are a vital source of household income in lower-middle-income countries such as Bangladesh. They alleviate poverty, improve nutritional outcomes, and are associated with increased birth weight and higher school enrollment rates for children in disadvantaged households, according to the World Bank.

However, the flow of remittances to Bangladesh has not picked up to the expected level despite a record outbound of workers in 2022 and incentives from the government, largely owing to a higher US dollar rate in informal channels such as hundi.

Even before the coronavirus pandemic, hundi accounted for nearly half of remittances sent to Bangladesh.

In order to attract remittances, the government introduced a 2 percent incentive in 2019, and it was later raised to 2.5 percent.

On October 22, banks said remitters would receive as high as 2.50 percent in an additional incentive from banks apart from the government's existing cash support. But the move did not materialise.

Now, banks can offer as much incentive as they want, said the chief executive officer of a private commercial bank.

"As a result, the remittance flow has gone up."

Mohammad Ali, managing director of Pubali Bank, says banks have intensified their efforts to bring in remittances. Besides, the flexibility in the incentive system has been helpful.

More than 11.35 lakh Bangladeshis left the country for jobs abroad last year, nearly double the 6.17 lakh migrant workers who flew to other countries the previous year.

In the first six months of 2023, about 6.18 lakh workers went to other countries, figures from the Bangladesh Bureau of Manpower, Employment and Training showed.

READ MORE ON B3

STOCKS

DSEX ▼	CASPI ▲
0.07%	0.03%
6,273.71	18,596.39

COMMODITIES

Gold ▼	Oil ▲
$1,982.47 (per ounce)	$82.1 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.44%	▲ 2.41%	▲ 0.29%	▲ 0.14%
63,591.33	31,601.65	3,076.77	3,023.08

In just around a month this patch of land will be swaying with golden sheaves of Aman season paddy, the second largest rice crop by volume after Boro in Bangladesh. Planting periods vary depending on the variety, starting as early as mid-March and ending in late September. What is common, however, is its reliance on the monsoon rains. Harvests run from mid-November to early January. The photo was taken at Badarpur village in Patuakhali sadar upazila yesterday.

PHOTO: SOHRAB HOSSAIN

Private credit growth falls to 23-month low

STAR BUSINESS REPORT

Private sector credit growth has slowed in recent months with banks and borrowers adopting a go-slow strategy amidst economic stress and growing apprehensions of a political crisis centring the upcoming parliamentary elections in January.

In September, the growth stood at 9.69 percent year-on-year, as per the latest data of Bangladesh Bank.

It was 9.75 percent in the preceding month.

September's figure was the lowest since October 2021 when the growth stood at 9.44 percent.

It was also 1.21 percentage points lower than the BB's target of 10.90 percent set for the first half of fiscal year 2023-24.

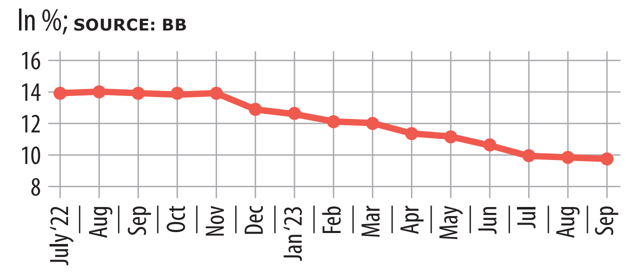
However, the BB projects that private sector credit growth would stand at 11 percent year-on-year at this fiscal year's end, meaning next June.

The rising lending rate following a recent interest rate cap withdrawal, tight liquidity in a majority of banks and lacklustre performance in loan recovery were the major reasons for the slow credit growth, as per industry insiders.

READ MORE ON B2

PRIVATE SECTOR CREDIT GROWTH

In %; SOURCE: BB



3 banks launch TakaPay

STAR BUSINESS REPORT

Three banks yesterday launched the TakaPay card, the first ever national debit card, which is expected to reduce dependency on international payment schemes and save foreign currency.

Initiated by Bangladesh Bank, Prime Minister Sheikh Hasina unveiled the card at a launching ceremony at her Ganabhaban residence yesterday, reports national news agency BSS.

Brac Bank PLC, The City Bank Ltd and Sonali Bank PLC were the three banks that launched the card, which can be used for cash withdrawals from ATMs, point of sales machines and e-commerce transactions, said a press release by Brac Bank.

"Transactions with the card will be conducted through the national payment switch operated

READ MORE ON B3