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BUSINESS

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Cash crunch lingers at crisis-hit Islamic banks

MD MEHEDI HASAN

Five Shariah-based banks are still experiencing liquidity crisis despite significant support from the central bank, which hit the overall surplus cash situation in the Islamic banking system in the July-September quarter, a Bangladesh Bank report said.

The crisis-hit five banks are – Islami Bank Bangladesh, Social Islami Bank, First Security Islami Bank, Union Bank, and Global Islami Bank.

At the end of September, Islami Bank Bangladesh's liquidity shortfall stood at Tk 658 crore, Social Islami Bank's shortage was Tk 1,059 crore, First Security Islami Bank's deficit was Tk 826 crore, Union Bank's shortfall stood at Tk 483 crore, and Global Islami Bank's liquidity shortfall amounted to Tk 465 crore, the report said.

When contacted, Zafar Alam, managing director of Social Islami Bank, said that their liquidity situation is improving gradually.

"The number of individual depositors has increased at our bank. However, corporate deposits are yet to pick up. Therefore, we are facing a shortage."

"However, we did not need the central bank liquidity support in the last one week."

The managing directors of Islami Bank Bangladesh, First Security Islami Bank, Union Bank, and Global Islami Bank could not be contacted.

According to the central bank report, Shahjalal Islami Bank had Tk 2,526 crore excess liquidity in the September quarter. The surplus was Tk 127 crore for Al-Arafah Islami Bank and Tk 1,178 crore for Exim Bank.

Besides, ICB Islamic Bank, Standard Bank and Islamic banking branches and windows of other banks had excess liquidity.

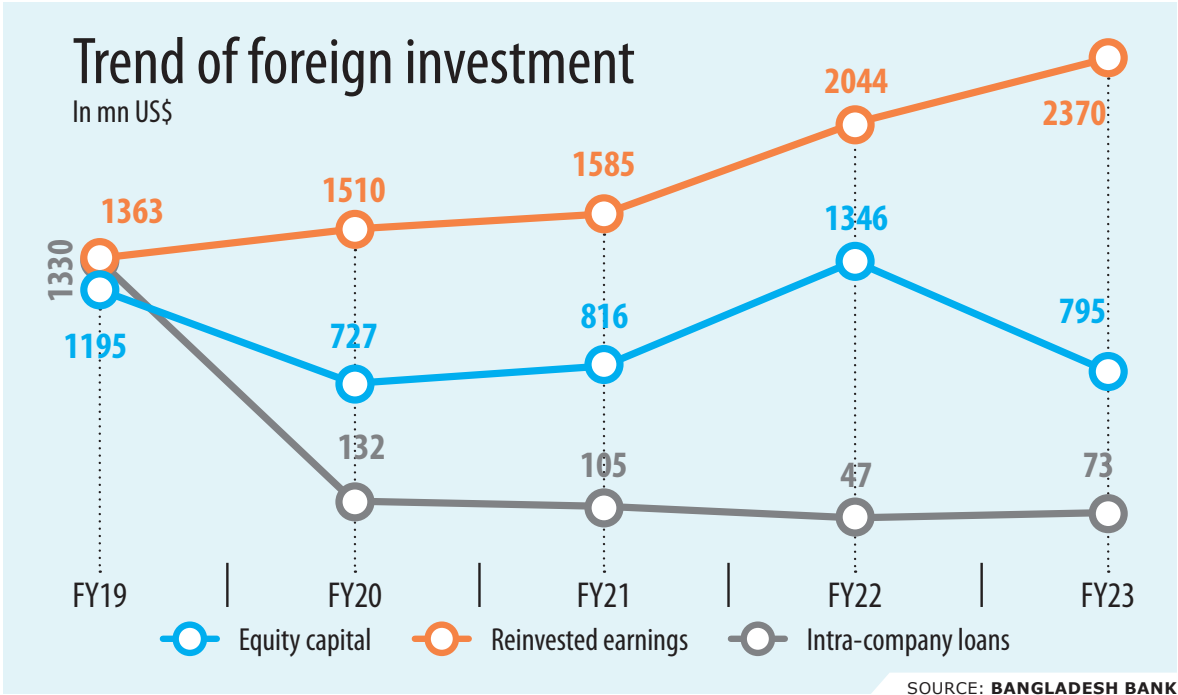
A senior official of the central bank, seeking anonymity,

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Equity funds from foreign investors dip

IMPACT OF FOREX VOLATILITY



SOHEL PARVEZ

Bangladesh received 41 percent lower equity capital from foreign investors in fiscal year (FY) 2022-23 compared to a year ago as it faces challenges in stabilising the exchange rate amid shortage of foreign currencies and managing its external accounts comfortably.

Bangladesh received US\$795 million in the FY2022-23, down from \$1,346 million a year ago, according to a Bangladesh Bank (BB) report released on Sunday.

With the dip in equity capital inflow from international investors, total net foreign direct investment declined nearly 6 percent year on

year to \$3,249 million even though foreign investors, who are already operating in Bangladesh, the second biggest economy in South Asia after India, registered spike.

Companies operating here reinvested \$2,370 million in FY2022-23, which was a 16 percent increase year-on-year, according to the Foreign Direct Investment and External Debt, a half-yearly report by the central bank.

"Availability of dollar for repatriation of profits and dividends is being constrained. As a result, existing investors are reinvesting their profits," said M Masrur Reaz, chief executive officer of Policy Exchange Bangladesh, a

private, independent advisory firm in Dhaka.

The nation, which once boasted \$48 billion in gross foreign exchange reserves, recorded \$25 billion on November 29 as inflows continued to fall short of outflows for imports and other payments.

The forex reserve fell further, hitting \$19.4 billion as per the calculation method of the International Monetary Fund.

The taka lost around 30 percent of its value against the US dollar since July 2021, according to official estimates.

Unofficially, the rate of the taka's depreciation is higher, with the

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Exports fall 6%, adding to economic gloom

STAR BUSINESS REPORT

Bangladesh's export earnings declined for the second consecutive month in November amid the continued slowdown in readymade garment shipments, in another worrying development for the already strained economy.

Receipts from the sector fell 6.05 percent year-on-year to \$4.78 billion last month, shows data of the Export Promotion Bureau (EPB) yesterday.

The shipment dropped 13.64 percent in October.

The fall comes at a time when the festive season is kicking off in western nations, Bangladesh's key export destinations. As such, this development could dash the country's hopes of recovering from its ongoing foreign currency crisis in the immediate future.

Still, the exports in November were the highest in five months.

Shipments of garments, which account for about 85 percent of Bangladesh's export earnings, fell 7.45 percent year-on-year to \$4.05 billion in the July-November period, data compiled by the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) showed.

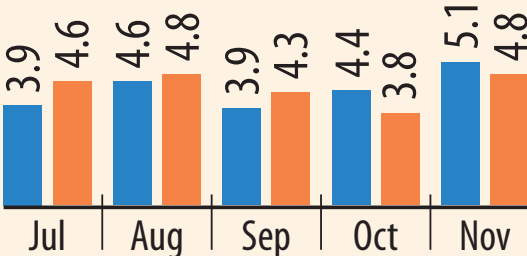
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MONTHLY EXPORT EARNINGS

(In bn US\$)

SOURCE: EXPORT PROMOTION BUREAU

■ FY23 ■ FY24



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