



Five banks hold 82% of deposits in small accounts

KHONDOKER MD SHOYEB

Five banks in Bangladesh hold 82.37 percent of the Tk 3,849 crore deposited in the Tk 10/50/100 accounts opened for marginalised people.

Two state banks – Sonali and Agrani – topped the list, accounting for 37.17 percent and 26.08 percent of the total deposits in the no-frills account (NFA), which require neither a minimum balance nor any service charge/fee.

The other three banks on the list are private banking financial institutions. Bank Asia stood third with 7.73 percent of the total deposits in the Tk 10/50/100 bank accounts whereas Islami Bank Bangladesh holds 7.61 percent and Global Islami Bank 3.78 percent.

The accounts have been opened under various initiatives taken by the Bangladesh Bank to ensure financial services to people from all segments of society.

Relatively higher interest rates than existing savings rates are offered for NFAs, the target group for which includes micro-savers such as farmers, garment workers, extreme poor, and the beneficiaries of social safety net programmes.

It is worth mentioning here that of the Tk 3,849 crore deposited in Tk 10/50/100 accounts of all scheduled banks in Bangladesh, state-owned commercial banks hold Tk 2,495 crore or 64.81 percent. Sonali Bank PLC topped the list of banks with the highest number of NFAs.

After the July-September quarter of 2023, banks in Bangladesh had 2.71 crore NFAs, excluding the ones for school banking, street urchins and working children, according to Bangladesh Bank data.

Sonali Bank opened 25.06 percent of the total NFAs, while Bangladesh Krishi Bank and Agrani Bank opened 16.44 percent and 15.39 percent respectively.

Bank Asia stood fourth with 10.36 percent and Janata Bank fifth with 10.36 percent.

In addition, NFAs also play a significant role in channelising inward foreign remittances.

In the July-September quarter of 2023, the cumulative amount of foreign remittances received through these accounts reached Tk 642.68 crore, which is 4.47 percent higher than that in the previous quarter.

Moreover, individuals with Tk 10/50/100 accounts have received a cumulative amount of Tk 627.44 crore as on September 30 of last year as credit from both the Tk 200 crore and Tk 500 crore refinance schemes for the NFA owners.

Energypac Power's profit falls in Q1

STAR BUSINESS REPORT

Energypac Power Generation's earnings slumped by half in the first quarter of the 2023-24 fiscal year.

The private power producer reported Tk 0.05 earnings a share in the July-September period, down from Tk 0.10 a year earlier, Energypac said in a filing to the Dhaka Stock Exchange yesterday.

The company said its profit has decreased due to a slowdown in sales, compared to operational gearing at the same level.

Energypac also reported a decline in its net operating cash flow per share in the first three months of the financial year.

Shares of Energypac closed unchanged at Tk 34.5 on the Dhaka bourse yesterday.

AKANDA MUHAMMAD JAHID

Credit card issuance by banks in Bangladesh witnessed slower growth in 2023 compared to the year prior, under the National Board of Revenue (NBR) tightened its regulations for securing the debt-based financial instrument.

In July 2022, the NBR made it mandatory for credit card applicants to submit proof of tax returns as a part of the government's push to widen the tax net.

This move led to a decline in credit card issuance, with the segment registering average growth of 11.96 percent in the first 10 months of 2022. That growth slowed to 9.4 percent during the same period in 2023.

In terms of the annual average, credit card issuance grew by 14.5 percent in 2022 while Bangladesh Bank is yet to disclose the final figures for last year.

"I think making it mandatory to submit proof of tax returns had a big impact on credit card issuance," said Syed Mohammad Kamal, country manager of Bangladesh at Mastercard.

Md Mahiul Islam, head of retail banking at BRAC Bank, echoed that sentiment.

He informed that it is only mandatory to provide proof of tax returns when availing loans greater than Tk 5 lakh or making

deposits over Tk 10 lakh.

However, there is no such minimum threshold for the issuance of credit cards. So, the NBR should set a similar tax-free benchmark for credit cards, Islam said.

Besides, those whose incomes fall below the minimum requirement for paying income tax are unable to avail credit cards, resulting in issuance slowing, he added.

Md Abu Bokar Siddik, head of cards of Mutual Trust Bank, agreed that credit card issuance slowed after the NBR's move as the number of taxpayers is very limited.

For example, housewives can no longer avail credit cards against their fixed deposit receipts regardless of the value of those funds as they have no taxable income that would require filing returns.

"Before the rule was introduced, we would issue around 7,500 credit cards each month. Now, 50 percent fewer customers are availing the facility," Islam said.

Md Abu Bokar Siddik, head of cards of Mutual Trust Bank, agreed that credit card issuance slowed after the NBR's move as the number of taxpayers is very limited.

To address the issue, he suggested the

NBR revise the rule so that housewives and students are exempt from the clause.

However, despite reduced issuance, transactions through credit cards surged by 16.57 percent year-on-year to about Tk 2,865.66 crore in October 2023, according to central bank data.

Officials of the credit card segment at various banks said the hike in credit card transactions was mainly due to increased spending on daily essentials amid ongoing inflationary pressure.

This is because credit cards allow people to pay later for immediate necessities while also offering a host of other benefits, such as an interest-free repayment period of up to 45 days, and cashback facilities.

Rakibul Islam, an undergraduate at a university in Dhaka, said the NBR should relax the rule as many students like him use credit cards to help pay their tuition fees in times of financial crisis.

Additionally, credit cards are essential for students looking to go abroad for higher studies as they can be used to pay admission fees and other expenditures in foreign currency, he added.

The latest data from the Bangladesh Bank shows the total number of credit cardholders stood at 23.37 lakh as of October last year, up 0.92 percent month-on-month.

CREDIT CARD issuance creeps along

STOCKS	
DSEX ▲	CASPI ▲
0.40%	0.32%
6,269.51	18,568.14

COMMODITIES	
Gold ▼	Oil ▼
\$2,024.24	\$71.80
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.93%	▲ 0.27%	▲ 0.09%	▼ 1.42%
71,355.22	33,377.42	3,187.02	2,887.54

UK labour market firms after recent slowdown

REUTERS, London

British employers raised pay and recovered some of their appetite for hiring in December, according to a survey that the Bank of England may see as another sign of lingering inflation pressure in the labour market.

The Recruitment and Employment Confederation (REC) survey published on Monday showed hiring of permanent workers continued to shrink last month as employers worried about the economy, but less severely than in November.

Temporary hiring also contracted by less than in November, but the difference was less marked.

"The slowdown in our labour market seems to be easing a bit," Neil Carberry, the REC's chief executive, said. "Given that December is a time when employers generally postpone activity into the new year, this is a positive sign that the labour market is weathering the current economic storm."

Pay for new hires in permanent and temporary roles grew more quickly in December than in

November although the increase for permanent staff was the second weakest since March 2021.

The BoE raised its benchmark interest rate to a 15 year high of 5.25 percent in August and has held it there since, saying borrowing costs are likely to need to stay elevated for "an extended period" to snuff out inflation pressures in the economy.

The central bank is particularly worried about excessive growth in pay, which official data shows rose at an annual rate of just over 7 percent in three months to the end of October.

The BoE is expected to keep interest rates unchanged on February 1 after its next scheduled meeting. But investors are betting on five rate cuts during 2024.

The REC survey showed vacancies fell for the third time in four months and the availability of candidates to fill jobs grew again, albeit at a slower pace than November's nearly three-year record expansion.

The survey was based on responses from around 400 recruitment agencies collected from December 6 to December 18.



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With election over, economy to take centre stage

FROM PAGE B1

journalists at Gono Bhaban yesterday, Prime Minister Sheikh Hasina also talked about her goals.

She said the goal of the next government would be to smoothen the journey of Bangladesh as a developing country, sustain electricity generation, and ensure food security.

She also reiterated the targets to improve connectivity further, alleviate poverty further, eradicate extreme poverty, make the country free from homeless, and continue working for Smart Bangladesh, according to news agency UNB.

"The economic progress and ensuring a better life for the people is my main aim," she said.

In order to overcome the existing economic crisis, the country needs strong economic leadership, backed by strong political will, said Selim Raihan, a professor of economics at the University of Dhaka, while speaking to The Daily Star.

"A prudent monetary policy, supporting fiscal policy, and coordinated management of domestic markets to combat anti-competitive practices is necessary to control inflation."

According to the economist, an independent and powerful central bank, without any political influence, is a precondition to bringing back discipline in the banking sector.

The potential to attract more remittances through formal channels will depend on the appropriate market-based exchange rate policy and the effective control of the hundi system.

The country has borrowed heavily in recent years to fund mega projects and the annual debt servicing is on the rise.

To ease the pressure on loan repayments, the mega projects must contribute to boosting exports and attracting large-scale foreign direct

investments, said Prof Raihan.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, says the existing macroeconomic challenge came after the global crisis emanated from the war, but all of these are related to the lack of good governance.

"The government needs to create jobs at home, send skilled workers abroad, and raise local and foreign investment."

He said the balance of payments situation is deteriorating due to loopholes in the import, export and remittance sectors.

"These loopholes have to be eradicated to give a much-needed boost to the forex reserves."

Moazzem says strong political support is necessary to ensure good governance and reforms in the banking sector and the public service sector and end the dominance of big groups in the commodity market.

"This government has that mandate and it should use the mandate."

Kamran T Rahman, president of the Metropolitan Chamber of Commerce & Industry, Dhaka, says the government has built enough infrastructure.

"Now, we need a business-friendly environment so that an adequate number of jobs can be generated. To create more decent jobs abroad, skill development should be focused."

Anis A Khan, a former chairman of the Association of Bankers, Bangladesh, said: "A comprehensive analysis is necessary to find where we are and where we want to go and how we can go there."

In the banking sector, the government needs to ensure corporate governance so that directors can't steer banking activities in the wrong direction, he said.

Zahid Hussain, a former lead economist at the World Bank in

Bangladesh, thinks inflation control, increasing the supply of the dollar and addressing the vulnerability of the financial sector are three major challenges for the government to restore macroeconomic stability, which weakened in the last two years.

He said in order to bring inflation down to the targeted level, the authorities should stick to the policy of monetary tightening.

"If needed, they should tighten the money supply further although it will not be easy given that there would be pressure from various sources including businesses, for easing."

Hussain thinks the disbursement of funds by the International Monetary Fund (IMF) and other international financial agencies would help the government buy time.

"But it has to find a permanent solution that addresses the shortage."

You will have to increase the supply of US dollars," he said, suggesting increasing export and remittance receipts.

He said already a number of banks are facing capital shortage and a resolution is needed for the insolvent banks as well.

"The authorities should ask the boards of insolvent institutions to carry out reforms. Otherwise, they should be closed or merged with others."

As the saying goes the longest mile is the last mile home, the road to the sustainable recovery of the economy from the current mess would be bumpy for Bangladesh since required reforms have been neglected for years.

The sooner new policymakers realise it, the better. Otherwise, the dream of turning Bangladesh into an upper-middle-income country by 2031 and a developed nation by 2041, will not only remain a distant dream but also the country may be stuck in a middle-income trap with deeper consequences.

Non-bank loans

FROM PAGE B1

deferral facility introduced by the central bank, said Bhuiyan, also managing director and CEO of Industrial and Infrastructure Development Finance Company (IIDFC).

NPLs of IIDFC stood at Tk 611 crore at the end of September last year, which is 59 percent of its total disbursed loans. Bhuiyan hoped that those defaulted loans would reduce in the December quarter, the data for which is yet to be released.

He added that most NBFIs were struggling at present to mobilise deposits because of a liquidity shortage in the banking sector.

The provision shortfall of ten NBFIs stood at Tk 2,020 crore till September last year due to high amount of bad loans.

Salehuddin Ahmed, a former Bangladesh Bank governor, recently told The Daily Star that the central bank was largely responsible for the ailing NBFIs.

He opined that the central bank's supervision of NBFIs was not up to the mark, as reflected by frequent reports of scams and loan irregularities in the sector in the last few years, he added.

The former BB governor went on to call for shutting down five to six weak NBFIs and merging another half a dozen.

Stocks gain

FROM PAGE B1

"It appears that there is a renewed optimism among investors after the election that the business environment will be better going forward. We will monitor the market to confirm the trend," he said.

Rozario said the increased in turnover was vital for the market. This will give more confidence to the investors, he added.

Yesterday BD Thai Aluminum Ltd topped the turnover chart at the DSE followed by Intraco Refueling Station Ltd. Moreover, Midland Bank made the highest gain while Standard Ceramic lost the most.