Meghna Bank to arrange Tk 175cr for Star Ceramics

STAR BUSINESS DESK

Meghna Bank will arrange Tk 175 crore from different banks and financial institutions for tiles and sanitaryware manufacturer Star Ceramics, a sister concern of RAK Ceramics Bangladesh.

The funds will be comprised of debt and quasi equity products like preferential shares. The bank will act as a lead arranger, facility agent and transaction adviser for this deal, the bank said in a press release.

The lender arranged an investors' meet and information memorandum launching event, inaugurated by Sohail RK Hussain, managing director and CEO of the bank.

"The amount will be utilised for adding a new polishing line and heat cogeneration system that will enhance both revenue and reduce utility costs," said Qamar-Uz-Zaman, managing director of the tiles company.

Kimiwa Saddat, deputy managing director, showcased various aspects of the deal.

The production facility of Star Ceramics in Habiganj has been running since 2021.

Currently, the company produces 85 million square feet of tiles and over 450,000 pieces of sanitary items a year.

Unemployment set to worsen globally in 2024: UN

AFP, *Geneva*

The global unemployment rate will increase slightly in 2024, the United Nations said Wednesday as it raised concerns about stagnant productivity, worsening inequalities and inflation biting into disposable income.

The UN's labour agency said the economic recovery from the Covid-19 pandemic has slowed down, with ongoing geopolitical tensions and persistent inflation triggering aggressive moves by central banks.

That said, global growth in 2023 was modestly higher than anticipated, and labour markets showed surprising resilience, the International Labour Organization said.

However, real wages declined in most of the G20 countries as wage increases failed to keep pace with inflation, said the ILO.

A farmer spreads seeds of Boro season paddy on a patch of land adjoining Pukria Haor in Baishtila area of Sylhet sadar upazila. The saplings will later be transplanted onto larger plots. Planting runs from November to February whereas harvests between April and June. Boro accounts for nearly 55 percent of the country's yearly rice production. An estimated 20,185,945 tonnes were cultivated on 4,814,563 hectares of land in fiscal year 2020-21, according to the Bangladesh Bureau of Statistics. The photo was taken recently.

PHOTO: SHEIKH NASIR

Boro farmers fret as cultivation costs rise

Growers are concerned about getting fair price for their produce

AKANDA MUHAMMAD JAHID

The costs of Boro paddy cultivation have risen significantly this season due to higher labour and irrigation costs alongside increased prices of seeds, pesticides and fertilisers, leaving farmers worried about getting a fair price for the staple crop.

According to farmers, the cost of production per bigha increased to around Tk 17,850 this season, which is about 28 percent higher than last year's costs of Tk 13,900 per bigha.

Farmers from different regions, including Kishoreganj, Habiganj, Sylhet and Jamalpur, said they were spending an additional Tk 4,000 per bigha to cultivate Boro compared to last season.

A breakdown of paddy cultivation costs per bigha shows that irrigation costs now total Tk 3,200, which is a 23 percent increase compared to last year, when it cost Tk 2,600.

Meanwhile, labour cost climbed 38 percent to Tk 9,300 while pesticide costs doubled to Tk 950. Additionally, ploughing costs increased 29 percent to Tk 1,540, and fertiliser costs increased 10 percent to Tk 2,850.

"Labour cost is the major expense for Boro cultivation. Even if it rises slightly, it has a large impact on total costs," said Md Muzammel Haque, another farmer in Jamalpur.

He said a labourer could be hired for Tk 500 per day last year but estimated that it would currently cost between Tk 600-700 per day.

Anamul Haque, a farmer in the Itna upazila of Kishoreganj, has already planted Boro paddy across 30 bighas.

He added that costlier energy costs, such as for diesel and electricity, had pushed up irrigation costs. "Besides, the price of seeds almost doubled to Tk 30 per kilogramme," he added.

Many farmers also alleged that retailers were charging much higher prices for fertiliser than the price fixed by the government.

Shafiq Mia, a farmer in Hakaluki of Moulvibazar's Barlekha upazila, said the price of urea fertiliser had increased by Tk 300 per sack (50kg) this year, up to Tk 1,400. He added that the price per sack of muriate of potash (MOP) increased from Tk 750 to Tk 1,100, and di-ammonium phosphate (DAP) increased from Tk 800 to Tk 1,100.

According to farmers, the cost of production per bigha increased to around Tk 17,850 this season, which is about 28 percent higher than that last year.

Given these higher cultivation costs, many paddy farmers expressed grave concerns about whether they would get a fair price at the end of the season.

Ruman Chowdhury, a resident of Ajmeriganj of Habiganj, is cultivating Boro on seven acres.

He said he would have to incur a loss after harvest even if he got the current market price.

Currently, medium-quality paddy is being sold at Tk 1,100 to Tk 1,150 per maund (40 kg), but the prices usually fall to Tk 700-750 per maund at the end of the season.

According to his estimates, Boro paddy yields an average of 15 maund per bigha. If the total cultivation cost is estimated at Tk 17,850 per bigha, the production cost per maund will be Tk 1,190.

"Compared to the current market price, it is obvious that we will have to make huge losses. But if prices fall to the level that they were during last year's harvesting season, it will not be possible for me to survive," he lamented.

Last year, the government fixed the collection price of paddy for the Boro season at Tk 1,200 per maund, when the production cost was estimated at Tk 1,181, according to the agriculture ministry.

Despite such negligible margins, those such as Shafiq Mia have little choice. He added that he was compelled to cultivate paddy as he had no other income sources. He said most farmers in his neighbourhood usually had to do part-time jobs such as rickshaw-pulling, driving, and fishing to get by.

Sarwar Alam, another farmer in the Hakaluki area of Moulvibazar, said he was not cultivating Boro this year considering the low price of paddy relative to cultivation costs.

"Due to the increase in overall cultivation cost, I will be unable to recoup my investment unless I get a fair price at the end of the season," said Alam, who cultivated Boro across four acres last season.

Farmers said it would have been very beneficial if incentives were provided to marginal farmers. Besides, the procurement campaign should be strengthened by the government, including monitoring the paddy and rice market, they said.

Md Tajul Islam, director of field crops wing at the Department of Agricultural Extension, said the target for Boro cultivation had been set at 50.40 lakh hectares.

About 14 percent of the total target, including 40 percent in haor areas, has already been cultivated, he added.

Restoring clients' trust in banking sector an undeniable need

RABIUL KARIM MRIDUL

The banking sector is the backbone of a country's economy, especially to promote businesses. However, sadly, the sector is plagued with multi-layered challenges.

For the last several years, defaulted loans have been rising alarmingly. Corruptions and the misuse of depositors' funds are the prime cause of the mounting non-performing loans. So, a number of banks is suffering from capital shortfall and cash crunch.

Already a bank, namely Padma Bank, is in a struggle to revive its activities while many non-bank financial institutions are in a real problem to repay depositors' funds.

Some banks, especially shariah-based banks, are struggling with their treasury management, prompting the central bank to extend support to keep alive. As a result, customer's confidence in banks is eroding.

The crisis of confidence and trust is now becoming a big problem as many customers are already concerned and thinking about whether they should keep their funds in banks. This is not a good sign and it may escalate the crisis.

Generally, 10-12 percent of a nation's total money is held in cash to meet people's daily needs. However, according to Bangladesh Bank data, cash in people's hands currently constitutes more than 16 percent.

As of June 2023, the central bank reported that the amount of cash in people's hands was Tk 310,156 crore, breaking all previous records. Huge cash in people's hands is also fueling inflation though it has not been the lone reason for the high inflationary pressure in the last several months. The situation has led the Bangladesh Bank to take measures to bring back money to banks.

A higher inflationary pressure for months on a row has been a reason for a drop in deposits in banks. Individuals are fighting to meet their daily expenses. As a consequence, people's savings tendency has squeezed. It also deteriorates the liquidity situation in banks.

The situation didn't happen overnight. The banking sector is facing a crisis due to poor governance, policy weakness, weak legal system and political intervention in the banking system over the years.

Giving licences to new banks, employing directors at state-run banks on political consideration, increasing the tenure of directors, and allowing family dominance in the sector are signs of political intervention. All of these are causing bleeding in the sector.

Still, no visible sign of reforming the banking sector is seen yet and this is the most concerning. To address the problems of the banking sector, the government should implement comprehensive reform programmes, ensure punishment for irregularities, and strengthen the health of banks.

The governance system should be strong so that no scams can take place. The legal system should speed up.

Small banks can be merged with big lenders so that the situation improves and no banks face any challenging situation. If they do not merge, the government can allow some banks to collapse which will give valuable lessons to others. Otherwise, good banks will not get any extra benefits in attracting customers by following governance.

It is not a sustainable way to keep alive scam-ridden banks year after year by giving support. If the trend continues, a good bank may become rotten. Why should the government take the responsibility of keeping them alive using taxpayers' money? The government should ensure proper policies and good governance in the sector.

The writer is an assistant professor of economics at Asian University of Bangladesh

Rising prices cap India's thirst for Russian oil

AFP, *New Delhi*

Indian purchases of Russian crude in defiance of Western pressure over the Ukraine war have fallen to an 11-month low as the price tag on the discounted oil rises, figures show.

Since the invasion of Ukraine nearly two years ago, India has bought hundreds of millions of barrels of cut-price Russian crude, saving itself billions of dollars while bolstering Moscow's war coffers.

The purchases have catapulted it to second place among Russia's customers behind China, and Indian officials have made no secret of their decision to prioritise national interest over international sanctions against Moscow.

But the price of Russian crude has risen in the face of Opec+ production cuts and increased demand from China, analysts say, making it less attractive to Indian customers.

Indian refiners bought 1.45 million barrels per day of Russian oil last month, their lowest amount since last January and down nearly 16 percent from November, according to global energy trade intelligence platform Kpler.

The "interplay between India and China" was a key driver of the change, Viktor Katona, lead crude analyst at Kpler told AFP, "as both countries now vie for the same barrels".

The biggest beneficiary of the change is Moscow: Russian crude has been trading above $85 per barrel, reports say, even though a coalition of the G7, EU and Australia imposed a $60 price cap a year ago.

New Delhi's reduced imports will be welcomed by some European policymakers who have raised concerns over how Indian refiners have processed Russian crude into fuel for the European market, effectively bypassing the EU's sanctions.

The price of Russian crude has risen in the face of Opec+ production cuts and increased demand from China

New Delhi and Moscow have ties dating back to the Cold War, and Russia remains by far the biggest arms supplier to the world's most populous country.

India has shied away from explicit condemnations of Russia over its invasion of Ukraine, even as it pursues greater security ties with the United States.

But instead of following in the West's footsteps, it has doubled down on its historical partnership with Russia to secure cheap energy, to help it boost growth without running up its fiscal deficit.

Global growth to slow in 2024 for third consecutive year

World Bank forecasts

REUTERS, *Washington*

The World Bank warned on Tuesday that global growth in 2024 is set to slow for a third year in a row, prolonging poverty and debilitating debt levels in many developing countries.

Hamstrung by the Covid-19 pandemic, then the war in Ukraine and ensuing spikes in inflation and interest rates around the world, the first half of the 2020s now looks like it will be the worst half-decade performance in 30 years, it added.

Global GDP is likely to grow 2.4 percent this year, the World Bank forecast in its latest Global Economic Prospects report. That compares to 2.6 percent in 2023, 3 percent in 2022 and 6.2 percent in 2021 when there was a rebound as the pandemic ended.

That would make growth weaker in the 2020-2024 period than during the years surrounding the 2008-2009 global financial crisis, the late 1990s Asian financial crisis and downturns in the early 2000s, World Bank Deputy Chief Economist Ayhan Kose told reporters.

Excluding the pandemic contraction of 2020, growth this year is set to be the weakest since the global financial crisis of 2009, the development lender said.

It forecasts 2025 global growth slightly higher at 2.7 percent, but this was marked down from a June forecast of 3 percent due to anticipated slowdowns among advanced economies.

The World Bank's goal of ending extreme poverty by 2030 now looks largely out of reach, with economic activity held back by geopolitical conflicts.

"Without a major course correction, the 2020s will go down as a decade of wasted opportunity," World Bank Group Chief Economist Indermit Gill said in a statement.

"Near-term growth will remain weak, leaving many developing countries — especially the poorest — stuck in a trap, with paralyzing levels of debt and tenuous access to food for nearly one out of every three people," Gill added.

This year's lackluster outlook comes after 2023 global growth came in an estimated 0.5 percentage point higher than forecast in June as the US economy outperformed due to strong consumer spending.

The US economy grew 2.5 percent in 2023, 1.4 percentage points higher than its June estimate, the World Bank said. It forecast growth this year to slow to 1.6 percent as restrictive monetary policy restrains activity amid diminished savings but said this was twice the June estimate.

PHOTO: AFP

A worker produces lanterns at a factory in Yantai, in eastern China's Shandong province, on January 8. China's economic growth may slow to 4.5 percent in 2024, which marks its slowest expansion in over three decades outside of the pandemic-affected years of 2020 and 2022.