



Money outside banks keeps swelling

MD MEHEDI HASAN

The volume of currency outside the banking sector of Bangladesh has been increasing since November amid persisting higher inflation and the erosion of confidence among people in some banks.

In January, the currency outside banks totalled Tk 257,295 crore, up from Tk 254,860 crore a month ago, data from the Bangladesh Bank showed.

The volume has been rising since November when it stood at Tk 248,441 crore. It was Tk 291,913 crore in June last year, the highest in recent times.

The currency outside banks, however, fell 2.17 percent year-on-year in January.

Bankers attributed the January 7 national elections to the spike in the cash held by the public. Lingering inflationary pressure and trust deficit among depositors also contributed to the rise.

The broad money, which refers to the amount of funds circulating in the economy, was Tk 1,902,880 crore in the first month of 2024. Of the volume, Tk 257,295 crore were outside the banking sector and the remaining Tk 1,645,585 crore was deposited in the banking system, BB data showed.

Of the Tk 1,645,585 crore, some Tk 186,273 crore were demand deposits and Tk 1,459,311 crore were time deposits.

Mati Ul Hasan, additional managing director of Mercantile Bank, says various reasons have been behind the trend.

"Many people are concerned about the safety of their deposits since a few banks are struggling to return money to savers after schemes mature amid loan irregularities, scams, and the liquidity crunch. So, some of them are

READ MORE ON B2



Companies scramble to repay bank loans

They seek sources for alternative financing in wake of higher interest rates

INTEREST RATE HIKE

Interest rate rose to 12-14% recently

The rate was below 9% a few months back

Analysts fear the rate may rise further

STEPS FIRMS TAKING TO REPAY LOANS

Renata to issue bonds and preference shares to raise Tk 1,000cr

Beximco Ltd to issue zero coupon bonds worth Tk 1,500cr

Emerald Oil's owner to sell 46 lakh shares hoping to get Tk 30cr



ALTERNATIVE SOURCES OF FUNDS FOR COMPANIES

- Corporate bonds
- Preference shares
- Zero coupon bond
- Green bond
- Ordinary and rights shares

Recommendations

- Strengthen financial reports to get alternative financing sources
- Bring vibrancy to the stock market
- Launch diversified financial products
- Develop bond market
- Diversify sources for fund providers in bond market

AHSAN HABIB

Some companies in Bangladesh are scrambling to repay bank loans in order to avoid higher finance costs since the interest rates in the banking sector are on the rise.

Bank interest rates currently stand at about 12-14 percent compared to below 9 percent just several months back as the Bangladesh Bank is allowing the market to determine the cost of funds as part of its efforts to tighten the money supply to tame inflationary pressure.

And since the interest rates may rise further, the companies are taking steps to quickly pay back loans using funds from alternative sources, according to business leaders.

For instance, Renata PLC, Emerald Oil, and Beximco Ltd have issued bonds and preference shares and sold existing stocks to raise funds of more than Tk 2,530 crore in

total to repay loans.

Preference shares, commonly referred to as preferred stock, are company shares that pay dividends to shareholders before common stock dividends are issued.

"Corporates are searching for alternative sources of finance as the lending rate is rising and it may rise further," said Professor Mahmood Osman Imam, a financial analyst.

However, only the strong corporates will be able to raise funds from alternative sources as they have a good credit rating and reputation, he added.

Against this backdrop, Imam suggested the government incentivise the purchases of financial instruments other than zero-coupon bonds so that corporates can enjoy a wider mix of funding.

Corporates prefer issuing zero-coupon bonds for their popularity among investors, who do not have to pay any tax on the income generated.

So, providing the same facility for other financial instruments, such as corporate bonds, convertible preference shares and green bonds, would provide an alternative for financing other than bank loans.

However, the country's bond market has still not developed properly and there is a scarcity of fund providers in the alternative market, Imam said.

Renata, a drug maker, is in the process of issuing bonds and preference shares to raise funds of more than Tk 1,000 crore.

Jubayer Alam, company secretary of the company, said Renata is opting for alternative financing in order to keep its profitability stable in the coming years.

"It is difficult to maintain a consistent profit growth if bank interest rates are volatile, and the current macroeconomic scenario suggests that interest rate may rise further."

READ MORE ON B3

Key stock index rises 1.21%

STAR BUSINESS REPORT

Major indices of the Dhaka Stock Exchange (DSE) maintained their upward trend for the second day in a row yesterday.

The DSEX, the benchmark index of the premier bourse of Bangladesh, rose by 69.07 points, or 1.17 percent, to 5,941.66 points.

The DSES, the index that represents Shariah-based firms, gained 15.46 points, or 1.21 percent, to reach 1,293.03 points while the DS30, which comprises blue-chip stocks, added 25.43 points, or 1.25 percent, to hit 2,057.71 points.

Turnover, which indicates the volume of shares traded during the session, increased 44.28 percent to Tk 610 crore.

According to the daily market update by UCB Stock Brokerage, almost all the sectors ended in the positive.

The pharmaceuticals sector dominated the turnover chart, accounting for 17.25 percent of the day's turnover.

Bangladesh Monospool Paper Manufacturing Company secured the top spot on the gainers' chart, gaining 9.977 percent, and was closely followed by Asiatic Laboratories with 9.976 percent.

The two were followed by Shinepukur Ceramics, Paper Processing and Packaging, Khulna

READ MORE ON B3



A customer inspects rice at a kitchen market in Khulna city. The food ministry has allowed private importers to bring in 83,000 tonnes of the staple grain in order to increase supply in the market and contain prices. The photo was taken last night.

PHOTO: HABIBUR RAHMAN

Govt allows import of 83,000 tonnes of rice

STAR BUSINESS REPORT

The government has allowed private traders to import a total of 83,000 tonnes of parboiled and sunned rice from abroad, a move that comes more than a month after the National Board of Revenue (NBR) slashed the related import tariff.

Of the amount, 49,000 tonnes will be parboiled rice and 34,000 tonnes will be sunned rice, according to a food ministry notification.

The ministry has allowed the private sector to import rice at a time when prices of the staple grain are rising and with the harvest of the next crop, the highly irrigation based Boro rice, arriving by the end of next month.

Over the last month, prices of coarse rice, consumed mostly by low income people, rose 2.04 percent to between Tk 48 and Tk 52 per kilogramme in Dhaka. Price of medium and fine grains increased too, according to market price data collected by Trading Corporation of

Bangladesh.

"We expect the price of rice will come down as a result of imports. However, it depends on how fast the traders are importing," said Md Habibur Rahman Hosaini, additional secretary for the procurement and supply wing at the food ministry.

The ministry has allowed the private sector to import rice at a time when prices are rising with the harvest of the next crop arriving by next month

Bangladesh produced 3.90 crore tonnes of rice in fiscal year 2022-23, which was a 2.49 percent year-on-year increase.

During the current fiscal year, farmers have already harvested Aus and rain-fed Aman rice crops. The Bangladesh Bureau of Statistics (BBS) has not released its estimate on the production of rice during

these seasons.

However, the Department of Agricultural Extension estimated that overall yields of Aus and Aman rice grew in the current fiscal year compared to a year ago.

Even after that, prices went up after the harvest of Aman rice, which makes up 39 percent of the country's annual rice production.

And the NBR cut customs tariffs on rice in early February to cut import costs and encourage importers to bring the grain.

With the import permission given by the food ministry yesterday, importers will have to market the entire supply of rice by April 25.

The food ministry said importers will need to inform district food controllers about the quantity of imported rice, stocks and marketing.

Imported rice cannot be repackaged in the name of the proprietor's organisation. Also, the rice has to be sold in imported bags, it added.

