

Non-Bank Financial
Institutions in Bangladesh
**UNSUNG
FINANCIAL
HEROES**

PRIYAM PAUL

Though less recognized than banks, Non-Bank Financial Institutions (NBFI) have played a crucial role in shaping Bangladesh's economic landscape, acting as essential sources of lending and borrowing for the past four decades.

The approval of the first NBFI by the Bangladesh government in 1981 marked the beginning of a new era aimed at bridging the country's financial backwardness. Over time, a notable proliferation of NBFI has occurred, collectively contributing to the sustainability of Bangladesh's economic growth.

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কাঞ্চিত লক্ষ্যে পৌঁছাতে
দরকার হয় একটু নির্ভরতার!

আপনিও আস্থা রাখুন
আইডিএলসি'র চার দশকের
দক্ষতা ও অভিজ্ঞতায়

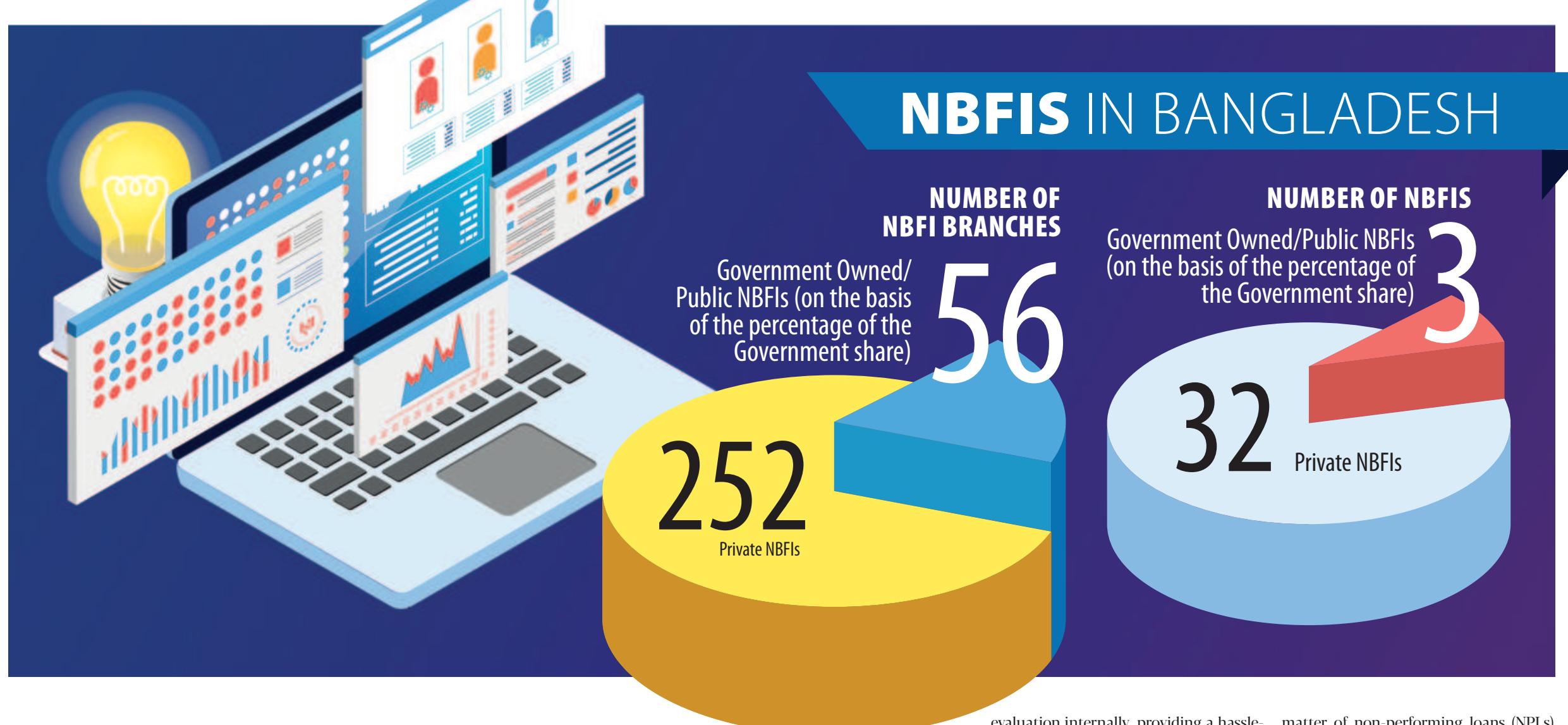
আপনার দুরত ক্ষেত্রগুলোকে ভালো মেলার শক্তি দিতে চাই
দূরদৃশ্যতা, দীর্ঘ অভিজ্ঞতা ও দক্ষতা। দীর্ঘমেয়াদী পরিকল্পনা,
সুশাসন, স্বচ্ছতা ও আন্তরিক সেবা দিয়ে দেশের সর্ববৃহৎ
আর্থিক প্রতিষ্ঠান আইডিএলসি লাখ লাখ মানুষের পাশে
আছে আস্থা ও উৎসা হত্যা।

IDLC
financing happiness



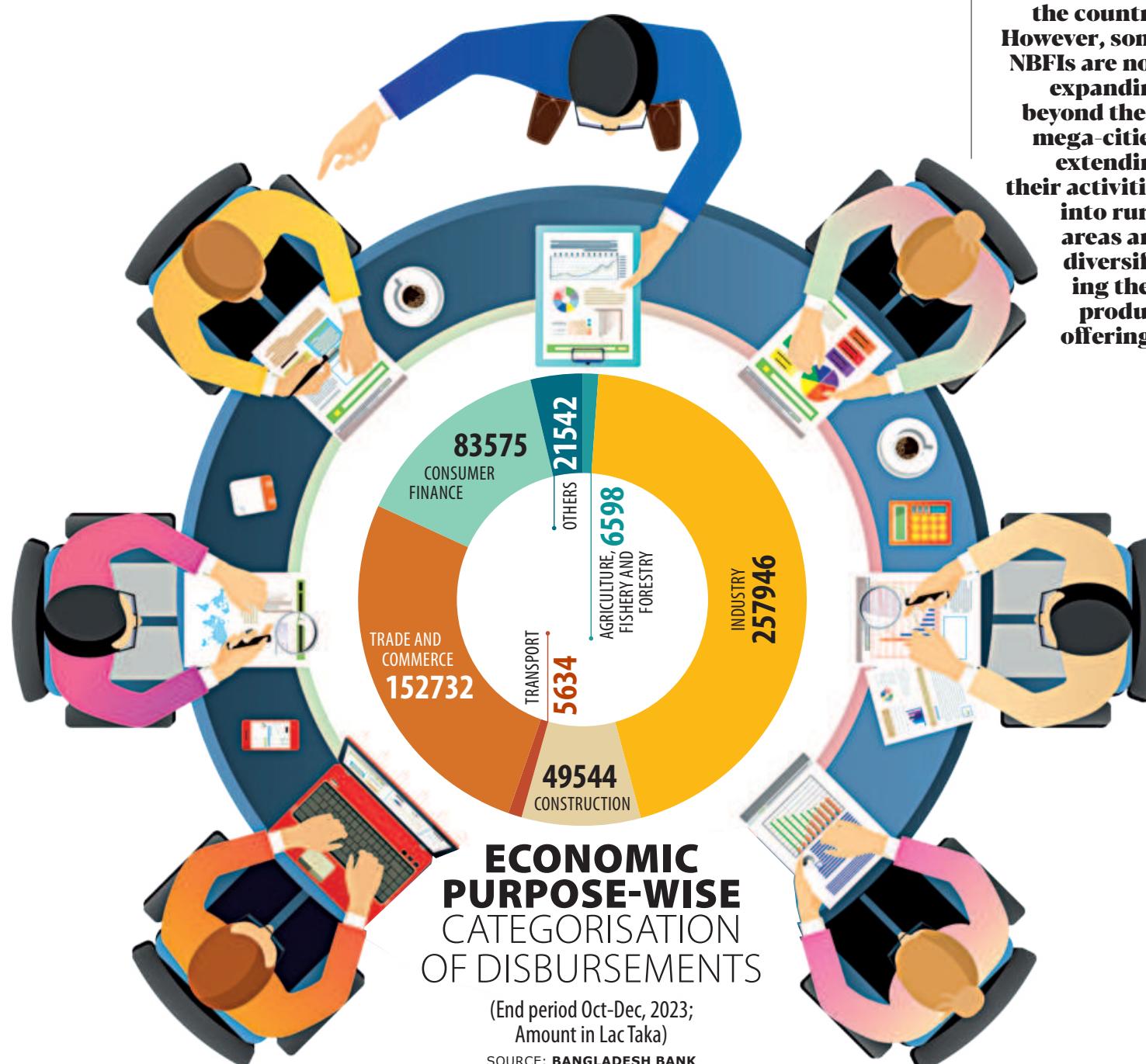
চার দশক ধরে
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UNSUNG FINANCIAL HEROES

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However, this growth has also brought to light both the positive and negative aspects of the industry, revealing a persistent gap between expectations and accomplishments.

As of December 30, 2023, Bangladesh hosts a total of 35 NBFI entities. This includes 3 government-owned entities and 32 private NBFI entities. The total number of branches operated by these NBFI entities amounts to 308. Among these branches, 56 are state-owned, while the remaining 252 belong to private NBFI entities. The majority of these branches are concentrated in Dhaka and Chattogram. Specifically, Dhaka boasts 173 branches, Chattogram houses 47 branches, and the remaining 108 branches are dispersed throughout the rest of the country.

Strategically, NBFI entities have traditionally concentrated their operations in Dhaka and Chattogram, the industrial and commercial hubs of the country. However, some NBFI entities are now expanding beyond these mega-cities, extending their activities into rural areas and diversifying their product offerings. "IPDC SME has been working relentlessly to extend its facilities to entrepreneurs in rural areas through its linkages," adds Rizwan Dawood Shams, Managing Director of

IPDC Finance Limited.

According to the latest data from the central bank, the total deposits in NBFI entities amount to 4,483,018 Lac Taka, which holds 431,221 accounts, resulting in an average deposit per account of 10.40 Lac Taka. As for loans and advances, the total stands at 7,375,919 Lac Taka across 219,705 accounts, with an average loan and advance per account of 33.57 Lac Taka as of December 2023.

The importance of NBFI entities is evident in their operational approach compared to other financial institutions. Their long-term loan disbursement is a key attractive feature for clients.

"Another positive aspect of NBFI entities is their proactive client engagement. They reach out to clients directly, visiting their offices or workstations for onboarding. In contrast, banks require clients to visit their branches and often take a long time to make decisions, with approvals needed from branch to regional office to head office. NBFI entities, however, work promptly as they focus on a limited range of services," says Nasimul Baten, Managing Director of DBH Finance.

"Unlike banks, we have in-house legal and engineering teams. This allows us to promptly conduct verification and

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evaluation internally, providing a hassle-free experience for our clients. As a result, we can determine the possible loan amount for our clients within 3-5 days," shares Mahbubur Rashid, Head of Business at National Housing Finance.

According to Bangladesh Bank's data in the 'NBFI Statistics Quarterly: October-December 2023,' the majority of NBFI disbursements (45.60 percent) are allocated to industries, followed by trade and commerce (25.99 percent) and consumer finance (14.22 percent). Nevertheless, several prominent NBFI entities are now emphasizing product diversification, expanding their service portfolios to include a wider range of offerings, with a particular focus on SMEs and microfinance.

"Our green financing options, SME loans, and affordable home loans drive growth and create opportunities, supporting businesses, promoting homeownership, and encouraging sustainability," shares Syed Javed Noor, Deputy Managing Director at IDLC Finance.

"IPDC actively engages in capacity-building initiatives for entrepreneurs, offering various training and knowledge-sharing programs aimed at enhancing their skills and fostering business development. Through these targeted efforts, IPDC Finance aims to empower SMEs, women entrepreneurs, and underserved youths, contributing to their economic growth and financial inclusion in Bangladesh," says Rizwan Dawood Shams, Managing Director of IPDC Finance.

As per Bangladesh Bank's annual report for 2023, out of the 35 NBFI entities assessed in 2021, 11 received a composite CAMELS rating of '2' or 'Satisfactory', while 10 were rated '3' or 'Fair', 5 were rated '4' or 'Marginal', and 3 were rated '5' or 'Unsatisfactory'. Additionally, 5 NBFI entities were undergoing the rating process, while 1 was exempted from it due to special circumstances. This diverse range of ratings underscores the mixed performance of NBFI entities and reflects on the overall economic health of the sector.

"Perceptions of NBFI entities have been tainted by isolated incidents involving a few institutions. It's crucial to note that certain NBFI entities maintain portfolios that outshine those of some third-generation banks in terms of both quality and stability. The effectiveness of NBFI entities often rests on management decisions," shares Imran Parvez, Senior Assistant Vice President overseeing Corporate and SME affairs at SFIL PLC.

Furthermore, the

matter of non-performing loans (NPLs) continues to be a significant concern for NBFI entities, serving as a vital indicator for their asset evaluation and overall performance as financial institutions. As of the end of June 2023, the NPL ratio for NBFI entities was at 27.65%. However, by January 2024, it had risen by over three percent, reaching a record high of 30% of disbursed loans. Nonetheless, some institutions are adeptly managing their NPLs, keeping them at stable levels.

Kanti Kumar Saha, Chief Executive Officer of Alliance Finance states, "The primary challenges confronting NBFI entities or finance companies stem from an image problem arising from governance issues within some of these institutions. The current Non-Performing Loan (NPL) rate, standing at around 30%, is largely attributed to scams, incorrect borrower selection, and the lack of a robust risk management culture."

"Over the past year, we have exercised greater due diligence amidst the various challenges in the market and NPL concerns. Despite unfavorable conditions, our NPL rate has remained consistently below five percent, indicating robust management in taking proactive steps and maintaining a quality portfolio. We strongly believe that a strong NPL monitoring process, accompanied by measures to ensure the highest corporate governance, allows us to have sustainable growth, eliminating any posing challenges," shares Rizwan Dawood Shams, Managing Director of IPDC Finance.

The challenge persists notably for the NBFI sector amidst the country's broader economic struggles, marked by inflation nearing double-digit figures. To optimize the role of NBFI entities, several key areas require attention. Addressing these areas effectively will guarantee a more robust and enduring contribution of NBFI entities to the nation's economic advancement.

"In 2023, our total deposits increased by 15 percent, with 90 percent of our depositors participating in deposit schemes. Additionally, our NPL margin remained below one percent. However, the cost of funding is rising, and due to high inflation, the cost of materials for housing is increasing, leading to higher construction costs. This will likely result in a greater demand for loans, but incomes are not increasing at the same rate. Maintaining this balance is our main challenge, as we are solely focused

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DIVISION-WISE DEPOSITS

(End period Oct-Dec, 2023)

Amount in Lac Taka

Mymensingh	8,712
Rangpur	7,470
Sylhet	25,607
Barishal	5,548
Rajshahi	46,833
Khulna	35,202
Dhaka	209,265
Chattogram	4,144,381

MITIGATE LENDING RISKS

through rigorous credit assessments

In the face of current economic challenges, NBFI in Bangladesh can adopt several strategies to navigate and strengthen the finance sector. Firstly, it's crucial to monitor market trends and proactively adjust strategies. By staying ahead of economic shifts, we can mobilize funds more efficiently and meet the needs of our clients in a

timely manner.

Maintaining liquidity is vital for meeting obligations to depositors, the market, and lenders. By adopting a balanced asset-liability management framework, we can effectively manage liquidity risks and ensure we meet both short term and long term financial commitments. This means keeping an optimal balance between assets and liabilities to avoid liquidity crunches.

Secondly, managing non-performing loans (NPLs) is of paramount importance. Implementing robust risk assessment tools and regularly monitoring loan portfolios allows us to minimize bad loans. Coupled with stricter credit assessment processes, this ensures healthier loan books and better financial stability. By closely monitoring repayment schedules and borrower performance, we can identify

potential defaulters early and take corrective actions to mitigate risks.

Careful due diligence in loan sanctioning and disbursement is also essential.

Rigorous evaluation of borrowers' creditworthiness and business viability helps mitigate lending risks and ensures that loans are granted to reliable borrowers.

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Strengthening governance is another key strategy. We can build trust and ensure sustainable growth by fostering transparent and accountable management practices. This includes adhering to regulatory standards and cultivating a culture of ethical business practices.

Regarding government support, continuing refinance and pre-finance funds is crucial. Such support enables NBFI to provide lower-cost financing options, particularly to SMEs and underserved sectors. Government-backed refinance schemes can significantly reduce the cost of funds for NBFI, enabling them to offer competitive interest rates to borrowers. This is especially important for supporting small businesses vital for economic growth and employment generation.

Moreover, strong regulatory supervision by the government ensures adherence to best practices and maintains financial stability. Regular audits, compliance checks, and transparent reporting mechanisms help maintain the integrity and reliability of NBFI. The government

can also facilitate capacity-building programs and provide technical assistance to NBFI to enhance their operational capabilities and risk management practices.

In addition to these strategies, NBFI should focus on leveraging technology to enhance service delivery and operational efficiency. Digital platforms can streamline loan processing, improve customer service, and expand reach to underserved areas.

Lastly, NBFI should actively engage in financial literacy programs to educate customers about financial management, investment opportunities, and responsible borrowing. This can be achieved through regular financial literacy sessions, workshops, and dedicated social media channels.

M JAMAL UDDIN

CEO & Managing Director, IDLC Finance



IDLC
financing happiness

At a glance

Established in 1985, IDLC Finance PLC is one of the largest multi-product, multi-segment Non-Banking Financial Institution (NBFI) in Bangladesh. IDLC holds a strong and diversified footing in the Corporate, SME, Retail, and Capital Market segments.

The IDLC Group comprises four companies: IDLC Finance PLC, IDLC Securities Limited, IDLC Investments Limited, and IDLC Asset Management Limited. The businesses of all four entities are intertwined and operate under the umbrella of the IDLC Group.

IDLC Finance offers the Purnota SME Loan to support women-led businesses, including capacity-building programs and financing to help women entrepreneurs thrive. In 2021, IDLC Finance launched its MFS-based digital deposit product.

In 1990, IDLC opened its first branch in Chittagong. Today, IDLC is present in 24 cities, represented by more than 44 touchpoints, with over 1,600 employees serving over 254,000 clients.

The company is renowned for its commitment to sustainable business practices and active involvement in corporate social responsibility (CSR) initiatives, focusing on education, health, environment, and community development. Recognized for its innovative solutions and significant contributions to the financial sector, IDLC continues to expand its services and branch network across Bangladesh.

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on home loans. Government initiatives addressing macroeconomic issues would be helpful for us in managing these challenges," states Nasimul Baten, MD of DBH Finance.

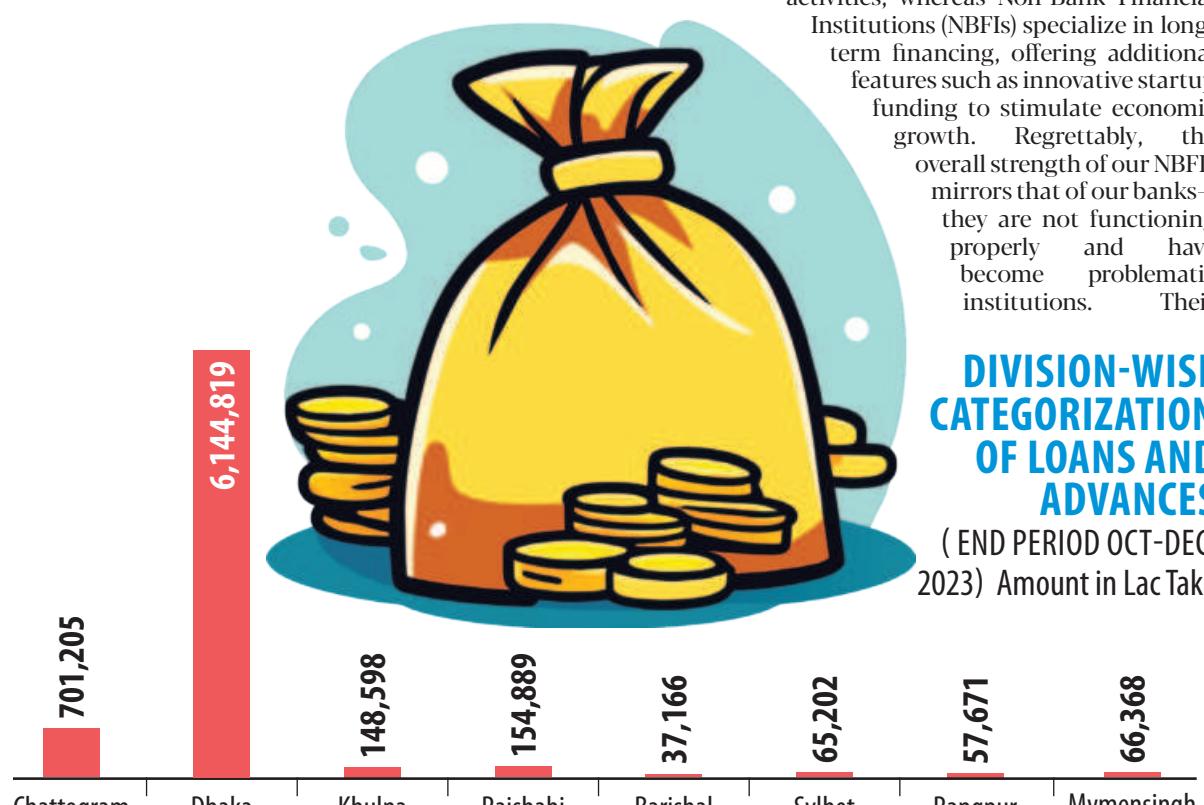
He further adds, "Globally, NBFI benefit from long-term funding sources like pensions and insurance since they

has not been robust due to a lack of good governance and policy support from the government, but they still have the potential to grow if the existing problems can be addressed fairly," mentions Kanti Kumar Saha, Chief Executive Officer of Alliance Finance PLC and Vice-Chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA).

"Commercial banks worldwide primarily focus on short-term business activities, whereas Non-Bank Financial Institutions (NBFI) specialize in long-term financing, offering additional features such as innovative startup funding to stimulate economic growth. Regrettably, the overall strength of our NBFI mirrors that of our banks—they are not functioning properly and have become problematic institutions. Their

DIVISION-WISE CATEGORIZATION OF LOANS AND ADVANCES

(END PERIOD OCT-DEC, 2023) Amount in Lac Taka



provide long-term loans, unlike banks. However, here, NBFI are providing long-term loans with short-term funds, while banks are offering short-term loans with the advantage of long-term funds. If the government revises the current regulations, it would significantly benefit NBFI by allowing them access to long-term funding, which aligns with their long-term loan disbursement practices."

"The contribution of NBFI to the financial assets of the country is around 5 percent, whereas in neighboring countries like India and Sri Lanka, the share of NBFI is around 16 percent and 12 percent respectively. The role of NBFI

challenges primarily stem from mismanagement, leading to a rise in bad loans and hindering the development of our economy," says Mustafa K. Mujeri, Executive Director of the Institute for Inclusive Finance and Development (InM), and former chief economist of Bangladesh Bank and director general of Bangladesh Institute of Development Studies (BIDS).

He stresses the urgent necessity for a comprehensive overhaul and underscores the critical need for a robust regulatory mechanism to effectively supervise the activities of NBFI and bolster governance practices, thereby ensuring optimal performance.

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National Housing Finance PLC

A temporary tax cut CAN BE A BOOST

The key challenges facing NBFI or finance companies are rooted in an image problem due to governance issues of some of the NBFI. The current Non-Performing Loan (NPL) rate of around 30% is largely due to scams, wrong borrower selection, and the absence of a robust risk management culture. In addition to governance, non-compliance

sector is also growing, necessitating staff with IT knowledge and familiarity with core banking solutions.

Thirdly, policies need to be adopted in a manner so that banks and NBFI can complement each other instead of competing with each other. Few NBFI can be brought under a separate cell to monitor and support closely for

with regulations and human resource issues are also major challenges. The NBFI sector as a whole has failed to attract an adequate number of skilled resources due to ongoing problems and the image of the sector.

Addressing these governance issues should start at the board level. The recent Finance Company Act has possibly, for the first time, addressed some of the governance-related issues, including eligibility criteria for Directors, Independent Directors, CEOs, and CXOs, but much will depend on the fullest implementation and compliance of these regulations. The appointment of Independent Directors for non-listed NBFI is a good step.

Secondly, supervision needs to be effective in the context of ongoing digitization in the overall financial sector. The use of technology in the NBFI

NBFI lack liquidity support similar to that available to banks. Guidelines can be made that a specific percentage of investment on minimum capital, allowing the sector to receive liquidity support in emergencies.

improvement. Sometimes measures taken to address the problems of weaker NBFI restrict the growth of better players in the industry.

NBFI also lack liquidity support similar to that available to banks. Guidelines can be made that a specific percentage of investment on minimum capital, allowing the sector to receive

liquidity support in emergencies. Government support in these areas is also crucial for sectoral growth.

Profitability in this sector has significantly dropped due to interest rate caps. These factors are interconnected with the capital market. When regulated sectors like banks, insurance, and financial institutions experience decreased profitability, it impacts the capital market too. In the first quarter of this year, available information on several listed NBFI witnessed significant drops in interest income due to repricing of deposits on a daily basis while loan repricing is allowed only after six months. People in the sector are expecting detailed guidelines on withdrawal of the interest rate cap soon, like banks.

In the absence of savings or current

accounts, the cost of funds of NBFI is much higher than banks, which results in margin pressure as well as reduced profit in an interest rate cap regime. Additional provisions have just aggravated the profitability further due to the increasing trend of NPL. Moreover, businesses are going through various challenges, and borrowers are increasingly failing to repay the money. In this context, a tax cut for an interim period for the sector can be a boost for the profitability trend as well as have a positive impact on the capital market.

Last but not least, drastic reforms of the legal framework to expedite the decision-making process in the money loan court are crucial for the recovery of bad loans. Recent policies on willful defaulters are another good step in this context.

KANTI KUMAR SAHA
Chief Executive Officer, Alliance Finance



At a glance

Alliance Finance PLC (AFPLC), although only six years old, is a prominent Non-Bank Financial Institution (NBFI) that obtained its license from Bangladesh Bank in 2017 and has since maintained a strong presence in the financial sector with its product differentiation. The institution has established and nurtured beneficial relationships with several banks, such as Sonali Bank, Janata Bank, Commercial Bank of Ceylon, Woori Bank, United Commercial Bank, Mutual Trust Bank, Midland Bank Limited, etc.

Through its Structured Finance Department, Alliance Finance has successfully completed 15-year funding arrangements under syndication from World Bank refinancing funds for two infrastructure projects by playing the lead arranger role with an interest rate slightly above 6%. Their commitment extends beyond traditional finance, emphasizing a proactive approach to achieving positive social impact and ecological balance. Prioritizing risk management, Alliance Finance employs thorough credit analysis and forward-looking selection criteria in client selection.

Alliance Finance is committed to offering user-friendly digital financial services, aiming to enhance convenience and accessibility for its clients. With a commitment to innovation, it has showcased a wide array of products, ranging from corporate finance, SME, and retail banking to structured finance, sustainable finance, women entrepreneur financing, green finance, and nano loans, among others.

At a glance



DBH Finance PLC is the pioneering and largest specialized housing finance institution in Bangladesh's private sector. Since its inception in 1996, it has achieved remarkable growth in facilitating home ownership in Dhaka and other major cities. Concurrently, it actively promotes the real estate sector to a diverse array of prospective clients, offering crucial support along the way.

Among all banks and financial institutions in Bangladesh, DBH stands out as the sole recipient of the highest 'AAA' credit rating for an impressive 18 consecutive years. This exceptional rating serves as a crucial indicator of the financial safety, security, and strength of the institution.

DBH currently operates 15 branches across strategic locations including Dhaka, Chattogram, Rajshahi, Khulna, Rangpur, Sylhet, Cumilla, Gazipur, Savar, Narayanganj, and Mymensingh. In 2023, the institution introduced its DBH Islamic wing, offering Shari'ah-compliant Islamic financial products. With a core focus on housing finance, DBH has disbursed over Tk15,500 crores to benefit more than 57,000 families over the past 26 years.



NASIMUL BATEN
Managing Director & CEO, DBH Finance

THE RISING DOLLAR RATE indirectly affects us

of this month, the SMART rate is now market determined, effective from May 8th. While the full impact is yet to be seen, it's clear it will affect the overall economy and our customers.

Higher interest rates generally lead to a decline in the number of clients. Not all clients are willing to accept higher rates, and those who do

economy, real estate developers and exporters face higher costs for raw materials due to the increased dollar rate. This elevates production costs, driving flat rates higher and pushing real estate prices beyond the reach of many, reducing the number of potential buyers.

Currently, with interest rates being

Our tax rate is relatively high compared to banks, which poses a challenge at a granular level. Aligning the rules and regulations for both banks and financial institutions could create a more level playing field.

may face reduced repayment capacity. This decrease in customer numbers can lower credit scores in the private sector, posing a significant challenge.

Despite our organization maintaining a Non-Performing Loan (NPL) ratio of less than 1%, the industry as a whole struggles with high NPL ratios. This impacts clients by leading to repossession, which reduces their profits.

While we do not directly deal with foreign exchange, the rising dollar rate indirectly affects us through our customers. In an import-driven

market-oriented, the government's capacity to directly intervene is limited. However, to control inflation, the government and Bangladesh Bank are taking necessary steps to mitigate the impact of the rising dollar rate.

As a financial institution, our operations differ significantly from those of banks in terms of margin, scale, size, and profitability. Banks have a broader operational scope, while financial institutions face certain peripheral limitations and higher funding costs. Additionally, our tax rate is relatively high compared to banks, which poses a challenge at a granular level. Aligning the rules and regulations for both banks and financial institutions could create a more level playing field.

However, the primary focus should be on the macro economy, and the government's attention to this is appropriate. Given the current constraints on revenue and expenditure, our requests for a lower tax rate can take a back seat. Once the economic conditions improve, we will certainly advocate for positive changes.



DIVERSIFYING FUNDING

sources is essential

In the turbulent landscape of 2023, the financial sector faced challenges such as a surge in non-performing loans, contracting spreads, and liquidity constraints. While the banking sector rebounded in spreads after the first quarter, the third quarter saw a similar resurgence in Non Banking Financial Institutions (NBFI). Throughout the

and exploring alternative revenue streams. Digitalization is also pivotal, empowering NBFI to enhance efficiency, elevate customer experience, boost sustainable finance portfolios, and access untapped markets. Robust risk management practices, including strong



RIZWAN DAWOOD SHAMS

Managing Director, IPDC Finance

A major focus for NBFI should be on improving their portfolio and assessing it properly to ensure the quality and sustainability of their investments. This includes regular stress testing and scenario analysis to identify potential vulnerabilities.

year, NBFI encountered significant hurdles, mainly due to historically low-interest rate spreads. Despite deposit rate increases, lending rates remained capped until July, leading to a notable decline in various financial indicators. In June, NBFI experienced a historic low-interest rate spread of only 0.27%, significantly impacting profitability. By December 2023, the interest rate spread for NBFI contracted to a mere 3.23%, posing a significant obstacle to profitability and long-term sustainability.

To navigate the crisis and lead the finance sector in Bangladesh, NBFI are poised to adopt strategic approaches. Prioritizing operational efficiency is crucial, involving cost reduction, technological optimization,

credit assessment frameworks and prudent risk-taking, are indispensable for safeguarding financial stability.

Diversifying funding sources is also essential. This could involve tapping into capital markets, forming strategic partnerships, and leveraging fintech

solutions for innovative funding options. Furthermore, NBFI should focus on enhancing their governance and transparency practices. This includes adhering to regulatory requirements, implementing robust internal controls, and maintaining clear communication with stakeholders. In recent times, we are facing a significant liquidity crisis, which underscores the need for these strategic approaches. Improving liquidity management is paramount; by adopting more rigorous forecasting and planning, NBFI can ensure they have adequate resources to meet their obligations and support ongoing operations. Adopting these strategies will enable NBFI to play a pivotal role in stabilizing and advancing the finance sector in Bangladesh amidst the ongoing challenges. By doing so, NBFI can not only weather the current crisis but also

emerge stronger and more resilient in the long term.

Government support is crucial for the further expansion of the financial sector, especially in addressing non-performing loans (NPLs) and improving the quality of financial portfolios. By focusing on policies to ease the current inflation and liquidity crisis, the government can create a more stable economic environment. Specifically, addressing NPLs through improved governance mechanisms will significantly contribute to the sector's expansion. Implementing stringent measures to handle default loans efficiently will enhance the overall quality of financial portfolios. This, in turn, will create a more conducive environment for the growth and stability of the financial sector, enabling it to better support economic development and resilience against future crises.

At a glance

Established in 1981, IPDC has grown significantly over the decades, reflecting its commitment to excellence and customer satisfaction. With a total of 16 branches, 843 employees, 111,036 customers, a loan portfolio of Tk 69 billion, and a deposit portfolio of Tk 54 billion, IPDC has been going the extra mile for its stakeholders.

IPDC offers an array of financial products and retail schemes to its customers. The retail schemes include Priti, Bhalo Basha Loan, IPDC Home Loan, IPDC Auto Loan, IPDC Personal Loan, IPDC Deposit Schemes, and IPDC Saving Schemes. Additionally, IPDC offers a total of 4 loan products specifically tailored for SMEs and women entrepreneurs, including Lease Finance, Long Term Finance, Short Term Finance, and Joyee for Women.

Currently, IPDC is running 4 ongoing campaigns, which include IPDC Auto Loan with Audi, IPDC Auto Loan to own a pre-owned car, Bhalo Basha Home Loan to build a house in any area of the country, and availing exclusive offers with Priti Privilege Card.



DID YOU KNOW?

First NBFI

The first NBFI in Bangladesh was IPDC, which started its journey in 1981.



The major differences between banks and NBFI

NBFI cannot issue cheques, pay orders, or demand drafts.

NBFI cannot receive demand deposits.

NBFI cannot be involved in foreign exchange financing.

NBFI can conduct their business operations with diversified financing modes such as syndicated financing, bridge financing, lease financing, securitization instruments, private placement of equity, etc.

Major sources of funds for NBFI:

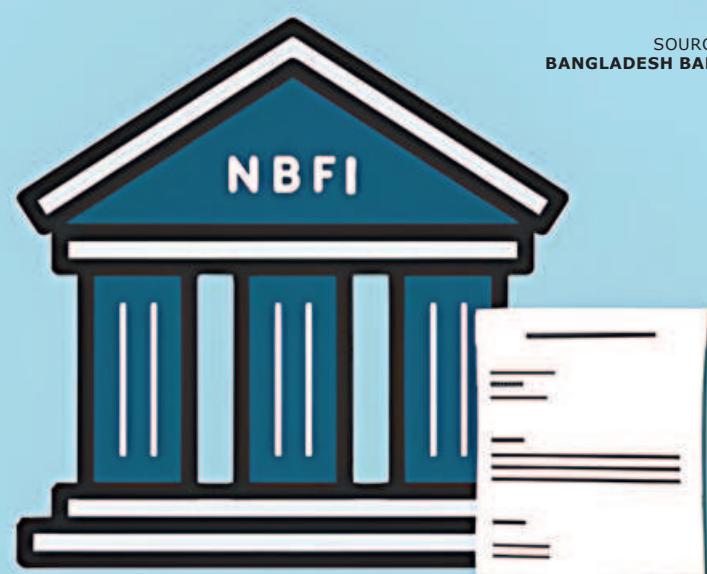
Term Deposits (at least three months tenure)

Credit Facilities from banks and other FIs

Call Money

Bonds and Securitization

SOURCE: BANGLADESH BANK



Driving Financial Inclusion and Economic Growth





DRIVING ECONOMIC GROWTH

SAUDIA AFRIN

Constructing a resilient financial system is paramount for a nation's economic advancement. In Bangladesh, Non-Banking Financial Institutions (NBFI) have been playing a pivotal role alongside banks in stimulating economic activity. They offer tailored financial services that not only foster business expansion but also enhance individual welfare, thereby enriching the financial landscape of the country.

The financial solutions provided by NBFI help large companies manage cash flow, invest in new projects, and expand operations, thereby fostering innovation and growth within the industrial sector.

"The NBFI originated in the 80s to support Bangladesh's incubation period of industrialization as an alternative source of finance. During that time, NBFI had met the high demand for funds in the industrial sector, providing long-term financing, specific project loans, and popularized lease finance," said Md Golam Sarwar Bhuiyan, chairman of Bangladesh Leasing and Finance Companies Association (BLFCA), also managing director and CEO of Industrial and Infrastructure Development Finance Company Ltd (IIDFC).

"NBFI encompass term loans aimed at facilitating project expansions, work-order loans aimed at streamlining business operations, and lease finance alternatives for procuring essential machinery and equipment. Through these diverse financial solutions, NBFI effectively address the needs of businesses across various sectors, thereby making substantial contributions to their expansion and progress," said Rizwan Dawood Shams, Managing Director of IPDC.

The Industrial Promotion and Development Company of Bangladesh Limited (IPDC) has been instrumental in shaping the country's industrial landscape over the past four decades. In the fiscal year 2023, IPDC's loan, lease, and advance portfolio amounted to Tk 70,571 million, marking a 6.6% increase compared to 2022 and a remarkable 12.3-fold surge since 2013.

Serving a substantial clientele of 1,314 clients, the organization also disbursed Tk 13,077 million in the corporate sector during the same fiscal year. Notably, IPDC has partnered with numerous corporate entities and projects in Bangladesh, particularly during their formative stages. These collaborations have fostered pioneering ventures in the country, including Fantasy Kingdom, Apollo, Westin, Summit, Scholastica, and others.

In its illustrious 38-year history, IDLC has garnered a reputation for meeting the diverse needs of large institutions and capital markets. Beyond catering to the financing requirements of corporate giants, the NBFI's venture capital arm has invested in promising startups such as Pickaboo, Truck Lagbe, iFarmer, and Agora.

With a total loan disbursement of BDT 63,506 million, IDLC's proactive strategic planning facilitated a 4.21% deposit growth despite tight liquidity conditions and rising treasury yields. Furthermore, IDLC's loan portfolio witnessed robust growth, expanding

by 8.66% in 2023. Despite macro-economic and industrial challenges, IDLC continued to thrive. "Maintaining liquidity is vital for meeting our obligations to depositors, the market, and lenders. By adopting a balanced asset-liability management framework, we can effectively manage liquidity risks and ensure we meet both short-term and long-term financial commitments," said Jamal Uddin, CEO & Managing Director of IDLC Finance.

Among IDLC's top five sectoral contributors, four encompass various sectors, including trade and commerce, garments and knitwear, and food production and processing. The corporate portfolio composition stands at BDT 32,385 million, with total loans and advances amounting to BDT 115,656 million.

Throughout its six-year journey, Alliance Finance PLC has been dedicated to offering user-friendly digital financial services to its clients and implementing innovative technologies for secure and convenient money management. "Our focus differs slightly from traditional



NBFI

We have a structural financing department and have identified significant prospects in infrastructure, where there is an opportunity to make substantial contributions through long-term investments. With this in mind, we have engaged in project financing for major private sector projects, such as the Investment Promotion and Financing Facility (IPFF) for the World Bank, providing long-term financing for infrastructure," said Kanti Kumar Saha, CEO of Alliance Finance PLC. He also highlighted the company's emphasis on syndication, refinancing, and preference shares, through which the institution aims to increase fee-based income.

Retail financing is a critical aspect of the services offered by Non-Banking Financial Institutions (NBFI). These institutions provide a wide range of retail financing products tailored to meet the requirements of customers from various walks of life. Whether it's availing credit for micro-merchants, purchasing a new home, buying a car, or other needs, NBFI play a major role in empowering individuals through access to funds while

Given their characteristics, these institutions are better positioned to offer specialized focus on any sector compared to traditional banks. By honing in on these core areas, NBFI can play a significant role in driving economic growth. However, it's crucial for the entire NBFI sector to function effectively, as relying solely on a few institutions will not suffice.

Ahsan H. Mansur

enhancing financial inclusion.

Prioritizing financial inclusion, IDLC's micro deposits offer monthly/weekly DPS via mobile financial services like bKash. "We mobilize deposits among the unbanked population. This initiative has helped us reach over 1 million customers, integrating more people into the formal financial system.

for the last 25 years with a mission to empower individuals to own their homes. "NHFIL's lending programs are designed to cater to diverse needs, offering a range of financing options to prospective homeowners. Whether it is facilitating the purchase of flats or providing financial support to build houses, the institution's customized solutions have



Our venture capital fund invests in startups, fostering innovation and job creation," said Masud Karim Majumder, CFO, IDLC Finance.

On the other hand, micro-merchants, an underserved segment, contribute significantly to Bangladesh's FMCG market and the broader economy. To support micro-merchants, IPDC has introduced a specialized product called IPDC DANA, a retailer financing platform that offers financing to enhance their operational capacity. "Through our product 'Dana,' we ensure a steady flow of funds to retailers so that the market demand for fast-moving products can be met," said Rizwan Dawood Shams, Managing Director of IPDC.

"It is easier to avail loans for homes and apartments in Dhaka and Chittagong, but accessibility to home financing in suburban and rural areas is challenging. IPDC lends to people from the lower middle-income group, such as school teachers, nurses, and security guards, living outside of Dhaka and Chittagong, through their home loan scheme 'Bhalobashar loan,'" added Rizwan Dawood Shams, Managing Director of IPDC.

"DBH has already disbursed BDT 16,000 crore in housing finance. Presently, our focus is on providing affordable home loans to support middle-income individuals. For instance, with a loan of BDT 30 lakh, these individuals can fulfill their dream of owning a home," said Nasimul Baten, Managing Director & CEO of Delta Brac Housing Finance Corporation Ltd (DBH).

National Housing Finance and Investment Limited has been providing financial services

positively impacted the lives of numerous families," said Mohammad Shamsul Islam, MD of National Housing Finance and Investments Limited (NHFIL).

More opportunities on the horizon
NBFI are now encouraging green businesses through financing initiatives to adopt sustainable practices, thereby promoting environmental sustainability. Sectors like renewable energy, waste management, green building and industry, recycling industry, and similar areas are being prioritized in green financing. In the year 2023, IDLC's green disbursement amounted to Tk 6,681 million.

SFIL supports sustainability by providing loans to businesses producing environmentally friendly products under Bangladesh Bank's refinancing scheme at a lower rate of 6%.

Highlighting NBFI's sustainable contribution to the economy, Ahsan H. Mansur, an eminent economist and executive director of the Policy Research Institute, emphasized that NBFI should focus on specific sectors such as housing, SMEs, and ICT by leveraging their specialized knowledge. "Given their characteristics, these institutions are better positioned to offer specialized focus on any sector compared to traditional banks. By honing in on these core areas, NBFI can play a significant role in driving economic growth. However, it's crucial for the entire NBFI sector to function effectively, as relying solely on a few institutions will not suffice," he added.

EMPOWERING SMES AND WOMEN ENTREPRENEURS

TAZRI MARWA AHMED

In the financial sector, Non-Banking Financial Institutions (NBFI) are frequently overlooked despite playing a role no less vital than traditional banks. Entities like IDLC, IPDC, SFIL, and others provide essential support to individuals and businesses, offering crucial contributions and loan programs. Their notable assistance to Small and Medium-Sized Entrepreneurs (SMEs) and women entrepreneurs fuels aspirations and fosters growth within our communities.

IDLC

IDLC offers an SME Term Loan with a tenure of 13 to 60 months, providing convenient repayment options such as equal monthly installments and customized schedules. Furthermore, IDLC offers loans to SMEs of up to 5 crore without requiring collateral. In 2023, IDLC disbursed a total of Tk 34,831 million in SME loans, benefiting 40% of its SME customers.

"We recognize that supporting SMEs goes beyond providing financial products, and hence, we offer various non-financial services crucial for their development. One of our key initiatives is providing comprehensive training programs covering topics such as business management, financial planning, marketing strategies, and regulatory compliance. By equipping SME owners with essential skills and knowledge, we help them build stronger, more sustainable businesses," said Asif Saad Bin Shams, DMD & CRO, IDLC Finance.

IDLC is also known for actively participating in various entrepreneur-banker matchmaking programs organized by different patrons, aimed at increasing financial inclusivity. Additionally, reaching rural areas, especially the hard-to-reach ones, is a critical part of IDLC's mission to promote financial inclusivity across Bangladesh.

"With 31 strategically distributed branches, we cover 60 districts, making our reach extensive and comprehensive throughout the country. To further enhance accessibility, we provide door-to-door services as well. This personalized approach ensures that even the most remote communities can benefit from our financial products and services without the need to travel long distances," said Asif.

IDLC's Micro Enterprise Financing has been particularly impactful among the financial products. In 2023, they financed Tk 280 crore through this program, supporting numerous micro-businesses in rural areas.

Furthermore, their Women Entrepreneurship Loan program is another significant initiative in rural areas. In 2023 alone, IDLC financed over BDT 696 crore through this program, supporting women entrepreneurs in rural communities. This product is designed to empower women by providing them with the necessary capital to start and grow their businesses. It has been particularly impactful in rural areas with limited access to traditional banking services.

The IDLC Purnota SME loan is specially tailored for women entrepreneurs, offering them loans to improve financial access, enhance their bankability, and foster economic growth.

In addition to training, IDLC organizes the Purnota Fair, specifically designed

for women entrepreneurs, providing them with a platform to showcase and sell their products. It offers an excellent opportunity for these entrepreneurs to gain market exposure, network with potential customers, and build their brand presence. The Purnota Fair also fosters a supportive community where women entrepreneurs can share experiences and learn from each other.

IPDC

IPDC encourages potential SME entrepreneurs by offering affordable products, including Long Term and Short Term Finance Loans, with a vision to boost SME enterprises. They have recently launched IPDC Express to disburse loans up to Tk 1 crore to CMSMEs and IPDC Goti to disburse loans up to Tk 1.50 crore to CMSMEs for medium terms. IPDC's latest SME disbursement as of April 2024 totals Tk 17,985 million, benefiting 29,247 SME customers.

"The Long Term Loan supports purposes such as expanding production lines, modernizing manufacturing processes, and extending capacity and space, among others. With allowable tenures ranging from 24 to 60 months, or equivalently from 2 to 5 years, this facility adapts to the unique needs of each venture. Repayment options are equally flexible, offering the choice between monthly equal installments or structured payments tailored to the ebbs and flows of business cash flow. Moreover, we offer tailored financial advice to our clients, empowering them with insights on managing their businesses effectively and fostering growth," mentioned Rizwan Dawood Shams, Managing Director of IPDC.

However, securing this support requires collateral, and the security measures include cash security, personal guarantees, corporate guarantees, and post-dated cheques.

"In contrast, the Short Term Loan product provided by IPDC addresses immediate fund needs and procures raw materials essential for ongoing operations. With a tenure of 12 months or 1 year, it offers flexibility in repayment options, including monthly equal installments, structured payments, monthly or quarterly interest payments, and revolving terms aligned with business cash flow dynamics. Notably, the security requirements for this product mirror those of the long term loan," said Rizwan.

"Beyond providing financial assistance, IPDC play a pivotal role in fostering the holistic development of entrepreneurs, with a special focus on women. This strategy ensures that entrepreneurs not only receive financial support but also gain access to viable market opportunities, knowledge of financial literacy, and more. Furthermore, the importance of business documentation is emphasized through courses and training programs, equipping entrepreneurs with the skills and knowledge necessary to navigate market complexities and establish a presence in the industry," mentioned Rizwan.

"To complement its core initiatives in business and financial management training, the SME department also organizes mental well-

NBFIs play a crucial role in providing loans to SMEs, but several key factors need attention. Loans often favor medium-sized businesses, leaving micro, cottage, and small enterprises underserved, especially the most vulnerable and nascent ones. Thus, creating specialized schemes tailored to each business size is essential rather than adopting a one-size-fits-all approach.

Dr. Sayema Haque Bidisha

being management and female healthcare awareness programs. These programs broaden the company's impact within the community, solidifying its position as a premier financier in the industry," further added Rizwan Dawood Shams, Managing Director of IPDC.

Additionally, the SME department partners with various stakeholders to ensure rural access to finance, aiding IPDC's reach by providing potential leads. With over 16 branches and numerous sales offices nationwide, IPDC is dedicated to serving women, youth, and underserved communities. Noteworthy is cluster financing, crucial for economic growth, which helps IPDC reach rural areas in line with Bangladesh Bank's objectives, aiming to bring unbanked and underbanked individuals into financial inclusion.

IPDC's women-centric product, IPDC Joyee, is designed to empower women in business to achieve their aspirations. This product is founded on four essential pillars: providing low-interest loans with flexible repayment terms to facilitate access to finance, offering valuable market linkage workshops to enhance market access, emphasizing capacity development through extensive training and knowledge-sharing programs, and extending comprehensive business support services to women entrepreneurs, including assistance with trade license renewal and business counseling. With a minimum tenure of 24 months (2 years) and a maximum preference of 60 months (5 years), this product offers flexibility to suit diverse business timelines.

Recently, IPDC Finance expanded its support network with the launch of 'Joyee 360', a dedicated sub-branch in Mirpur, specifically designed for women entrepreneurs seeking business loans. This branch offers financial services tailored to their needs. In addition, 'Joyee 360' provides supplementary facilities such as 'Joyee Alapon', a designated space for business discussions, and 'Joyee Pathshala', a platform for regular workshops and training sessions to foster entrepreneurial growth.

SFIL SFIL Finance, committed to fostering economic growth, emphasizes supporting cluster-based small and medium entrepreneurs. According to their annual report of December 2022, they have disbursed a total of Tk 8,527,445 million to SME customers.

"SFIL offer two primary loan products: the Term Loan and the Revolving Short Term Loan, each tailored to address specific needs and circumstances of SMEs. For instance, if an SME seeks to invest in machinery, SFIL recommends the Term Loan as the preferred option. Conversely, when working capital needs arise, the Revolving Short Term Loan offers a flexible solution, ensuring businesses have the liquidity required to thrive," mentioned Imran Parvez, Senior Assistant Vice President at SFIL Finance.

The Term Loan extends a repayment period of 3 years, structured on an EMI/installment basis. Throughout this duration, repayment unfolds in 36 systematic turns, ensuring the gradual fulfillment of the loan obligation. Notably, both principal and interest components are integral to this process, reflecting SFIL's commitment to comprehensive financial solutions.

"In the Revolving Short-term Loan (the term 'revolving' defines the nature of the loan), interest repayment is intricately linked to the duration of loan utilization. With a predetermined maximum timeframe of one year, borrowers are required to

reimburse the accrued interest quarterly to SFIL. At the culmination of the year, these interest payments are seamlessly integrated with the principal amount, reflecting SFIL's commitment to facilitating efficient financial transactions," said Imran.

Their Women Entrepreneurship Loan is a financial solution crafted exclusively for visionary businesswomen, offering flexibility with both short-term and long-term financing options, specifically designed for the acquisition of fixed assets. Boasting a minimum loan amount of BDT 3 lacs and a maximum unsecured loan ceiling of up to BDT 35 lacs, this product caters to a diverse spectrum of entrepreneurial aspirations. With loan tenures spanning from 13 to 60 months and adaptable repayment structures aligned with business cash flows, women can leverage this opportunity with confidence and expert guidance.

"Beyond loan products, we offer comprehensive financial advice and counseling to SMEs, addressing various customer issues and barriers. Our goal is to thoroughly understand our customers' needs, providing viable solutions and advice. Many customers are unaware of financial barriers, concepts, opportunities, and government support, making it crucial for us to offer valuable insights to help them navigate challenges," said Imran Parvez, Senior Assistant Vice President at SFIL Finance.

"NBFI play a crucial role in providing loans to SMEs, but several key factors need attention. Loans often favor medium-sized businesses, leaving micro, cottage, and small enterprises underserved, especially the most vulnerable and nascent ones. For example, while loan portfolios might highlight loans to women, these often go to larger women-owned businesses, neglecting small-scale female entrepreneurs. Thus, creating specialized schemes tailored to each business size is essential rather than adopting a one-size-fits-all approach," emphasized Dr. Sayema Haque Bidisha, Professor at the Department of Economics, University of Dhaka.

"Bangladesh Bank, already pivotal in rule-making and regulation, should further emphasize loans to SMEs. Specific schemes detailing loan amounts, interest rates for different businesses, and incorporating customer experiences and preferences are crucial for effective financial inclusion," she added.





ADOPTING ADVANCED technology is crucial

frameworks can help in identifying potential risks and implementing mitigation strategies. Enhancing credit appraisal mechanisms ensures better evaluation of borrower creditworthiness.

For instance, streamlined regulations can encourage new entrants and foster competition within the sector. Government-backed refinancing schemes and credit guarantee programs can improve NBFI's access to low-cost funding. These initiatives can enable NBFI to extend more credit to businesses and individuals, stimulating

MOHAMMAD SHAMSUL ISLAM

Managing Director and CEO, National Housing Finance

Non-bank financial institutions (NBFI) in Bangladesh play a pivotal role in the country's financial ecosystem, offering services ranging from leasing and housing finance to merchant banking and microcredit. In the face of the current financial crisis, characterized by liquidity constraints, rising non-performing loans, and economic uncertainty, NBFI need to adopt innovative strategies to remain resilient and drive sectoral growth. Additionally, leveraging government support is crucial for facilitating further expansion of the sector. Diversifying financial products is essential for NBFI to mitigate risks and explore new revenue streams. By offering a broader array of services such as microfinance, SME (Small and Medium Enterprises) financing, green finance, and Islamic finance, NBFI can cater to various market segments often

underserved by traditional banks. Investing in eco-friendly projects can attract environmentally conscious investors and align with global sustainability goals. Offering Sharia-compliant financial products can attract customers seeking ethical banking solutions.

Adopting advanced technology is crucial for enhancing operational efficiency and customer service. Online portals and mobile apps can facilitate seamless transactions and customer interactions. Utilizing data analytics and artificial intelligence for credit risk assessment can enable NBFI to make more accurate lending decisions and minimize default rates. Robust risk management practices are vital for NBFI to withstand financial shocks and maintain stability. Developing comprehensive risk assessment

Targeting low-income individuals and small businesses with microloans can help NBFI tap into a vast, underbanked population. Providing tailored financial products to SMEs can stimulate economic growth.

Government support is instrumental in bolstering the resilience and expansion of the NBFI sector. Key areas where government intervention can make a significant impact include: simplifying licensing procedures, reducing bureaucratic hurdles, and providing tax incentives to create a more conducive environment for NBFI.

economic activity.

Government programs aimed at capacity building can enhance the skills and competencies of NBFI professionals. Training programs and workshops can ensure that employees are well-equipped to manage complex financial operations and adopt best practices.

To spearhead the finance sector amidst the current crisis, NBFI in Bangladesh must adopt a multifaceted approach that includes product diversification, technological integration, and enhanced risk management. Collaboration with fintech companies and a focus on financial inclusion can further drive growth. Leveraging government support through regulatory reforms, funding access, and capacity building initiatives will be crucial in facilitating the sector's expansion and ensuring its long-term sustainability.



At a glance

National Housing Finance is a private-sector housing finance company incorporated in August 1998 as a public limited company under the Companies Act 1994. The Company obtained a license from Bangladesh Bank under the Financial Institutions Act, 1993 in December 1998.

National Housing Finance offers a range of products across three categories. Home Mortgage Loans encompass options like Flat Purchase, Self Construction, Group Home Loan, NRB Home Financing Scheme, Renovation Home, Housing Plot Purchase, Commercial Space Purchase, Any Purpose Property Loan, and Project Loan. Term Loans include Term Finance and Lease Finance, while SME Finance offers Sonirvor, Sonirvor Nari, Jagoron, Kristi, SME for Agro Processing Industries, and Loans under Jica Fund.

The shareholding structure of National Housing is segmented into four categories: banks hold 14.16%, insurance companies account for 29.76%, local corporate and business groups comprise 18.30%, and general shareholders represent 37.78%.



সামনশৈক্ষণিক বিষয়সমূহ IPDC ডিপোজিট

সর্বোচ্চ ক্রেডিট রেটিং
AAA

প্রধান শেয়ারহোল্ডার
 brac

খেলাপি খণ্ডের নিম্নহার


Moody's raises
Saudi Arabia's
currency
rating

REUTERS

Credit rating agency Moody's raised Saudi Arabia's local and foreign currency rating to 'Aa1' from 'Aa2' on Friday, citing increased predictability of the government's decision-making processes affecting the private sector.

For the world's largest crude exporter, non-oil economic growth is a top priority and the government has accelerated policies to drive investment into tourism and expand the private sector.

The change in rating reflects, "increased predictability of policies and decision-making processes affecting non-government issuers given institutional improvements," the ratings agency said in a statement.

The "zero-notch gap" between rating for the foreign currency and the local currency is aided by the central bank's very large foreign-exchange reserve and reflects very low transfer and convertibility risks, Moody's added.

It, however, attributed reliance on a single revenue source for both the private and the government sector and challenging regional geopolitical dynamics for the "three-notch gap" between the local currency rating and the 'A1' sovereign rating.

Follow rating agency S&P Global in March affirmed Saudi Arabia's sovereign rating and outlook betting on social and economic reforms to improve the country's prospects.

Jamuna Bank awarded at National Renewables Energy Conference

STAR BUSINESS DESK

Jamuna Bank has been recognised as one of the best climate-focused banks in Bangladesh at the 24th National Renewables Energy Conference and Green Expo in recognition of the bank's unwavering commitment to sustainability and responsible banking practices.

The Institute of Energy of the University of Dhaka and GreenTech Foundation jointly organised the award giving ceremony at the Nabab Nawab Ali Senate Bhaban at the university premises recently.

Md Prashanta Samir, senior vice-president and head of the sustainable finance unit of the bank, received the award on the bank's behalf, according to a press release.

Charles Whiteley, ambassador and head of delegation of the European Union to Bangladesh, Achim Troster, ambassador of Germany to Bangladesh, Alex Berg Von Linde, ambassador of Sweden to Bangladesh, Atiur Rahman, former governor of the Bangladesh Bank, and Habibur Rahman, deputy governor of the central bank, attended the programme as special guests.

Dr Sitesh Chandra Bachar, pro-vice chancellor (education) of the University of Dhaka, chaired the session.

How much of SME potential

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goods, ceramics and countless others.

But there remain problems.

A lack of access to finance is the biggest obstacle for SMEs, especially as it prevents companies from setting up shops or scaling up existing operations.

Other major challenges such as a lack of fiscal incentives, research, design, and compliance, alongside management problems, policy inconsistency, and double taxation also pose hurdles.

As such, appropriate policy support is vital to facilitating the development of SMEs and increasing their contribution to the GDP.

Md Rashedul Karim Munna, managing director of Creation Private, a leading manufacturer and exporter of jute products, said it is estimated that Bangladesh will become a trillion-dollar economy by 2040.

SMEs can be a good tool in that case, he added.

According to him, policymakers must realise that SMEs can also help the National Board of Revenue increase their value-added tax and income tax net.

Another issue that Munna stressed was the need to update the definition of SMEs.

Scope for investing

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It is common for investment in the stock market to fall if the interest rate of the money market rises, he said.

Due to the launching of the floor price in the middle of 2022, many investors could not sell shares, said Ahmed.

But they realised that investments in the stock market should be diversified and some of the fund should be transferred to the bond market, he said.

Investors are suffering from

Prime Bank Investment wins Independence Golden Jubilee Award 2023



Syed M Omar Tayub, managing director and CEO of Prime Bank Investment, receives an award from Shirin Sharmin Chaudhury, Speaker of the national parliament, and Waseqa Ayesha Khan, state minister for finance, at the Pan Pacific Sonargaon Dhaka in the capital recently.

PHOTO: PRIME BANK INVESTMENT

STAR BUSINESS DESK

Prime Bank Investment has recently been awarded the "Independence Golden Jubilee Award 2023" in the merchant bank category by the Bangladesh Securities and Exchange Commission (BSEC) for its contributions to the development of the country's capital market.

Shirin Sharmin Chaudhury, speaker of the national parliament, and Waseqa Ayesha Khan, state minister of finance,

handed over the award to Syed M Omar Tayub, managing director and CEO of Prime Bank Investment, at the Pan Pacific Sonargaon Dhaka, the company said in a press release.

"This award is testament to our strong commitment to offering best-in-class and innovative products and services to our clients. We pursue the best corporate governance practices, and our corporate culture promotes client centricity, innovation, and sustainable performance," Tayub said.

"We extend our heartfelt gratitude to our board members, management, employees, valued clients, and all other stakeholders for their unwavering support as this award is a reflection of their confidence in our capabilities," he said.

Prof Shibli Rubayat-Ul-Islam, chairman of BSEC, presided over the programme, where all the commissioners and senior officials of BSEC along with senior officials from other institutions related to capital market were present.



Md Prashanta Samir, senior vice-president and head of sustainable finance unit of Jamuna Bank, receives an award at the 24th National Renewables Energy Conference and Green Expo 2024 at Dhaka University's Nabab Nawab Ali Senate Bhaban recently.

PHOTO: JAMUNA BANK

Gold loses momentum

REUTERS

Gold prices rose on Friday as the dollar slipped, but were headed for their worst week in five and a half months as hopes of interest rate cuts by the US central bank tamed.

Spot gold rose 0.2 percent to \$2,332.77 per ounce as of 1:54 p.m. ET (1754 GMT) as the US dollar index slipped 0.4 percent, making gold relatively less expensive for other currency holders.

Gold futures settled 0.1 percent lower to \$2,334.50.

Bullion hit a record high of \$2,449.89 on Monday, but has shed more than \$100 since then and is on track for a 3 percent drop this week, its worst weekly dip since early December.

"What we've always had was little bit of a lack of interest from the Western investors on uncertainty over when the Fed will cut rates...once the Fed cuts rates, they would increase exposure again," said Michael Widmer, Bank of America's head of Metals Research.

Minutes from the Federal Reserve's last meeting published this week showed the central bank's path to 2 percent inflation could take longer than expected.

Traders' bets signalled growing doubts that the Fed will cut rates more than once in 2024, currently pricing in about a 63 percent chance of a rate cut by November according to the CME FedWatch Tool.

Despite uncertainty around US rate outlook, gold prices managed to gain 13 percent so far this year, largely on the back of strong Chinese demand and ongoing geopolitical uncertainties, analysts have noted.

However, "there is a risk now that you might see somewhat lower gold purchases from the Chinese retail investors into the second half of this year, as the government is putting much more effort into reflating the economy. If that happens, you then revert back to the demand from the Western investors taking us back to discussion about the Fed rate cuts," Widmer said.

Spot silver rose 0.5 percent to \$30.25. It hit an 11-year high on Monday.

Platinum rose 0.8 percent to \$1,027.25, while palladium fell 0.7 percent to \$962.50. All three metals were headed for weekly losses.

PRICES OF KEY ESSENTIALS IN DHAKA CITY		
	PRICE (MAY 23, 2024)	% CHANGES FROM A MONTH AGO
	PRICE (MAY 23, 2024)	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 76	-2.86 ↓ .74 ↑
Coarse rice (kg)	Tk 48-Tk 52	-3.85 ↓ 2.04 ↑
Loose flour (kg)	Tk 35-Tk 45	-9.09 ↓ -30.43 ↓
Lentil (kg)	Tk 105-Tk 110	0 13.16 ↑
Soybean (litre)	Tk 145-Tk 150	-3.28 ↓ -18.06 ↓
Potato (kg)	Tk 48-Tk 55	-1.90 ↓ 25.61 ↑
Onion (kg)	Tk 70-Tk 75	16.00 ↑ 0
Egg (4 pcs)	Tk 48-Tk 50	19.51 ↑ 3.16 ↑

SOURCE: TCB

Oil posts weekly loss

REUTERS, Houston

Oil prices rose about 1 percent on Friday, but fell for the week on worries that strong US economic data would keep interest rates elevated for a longer period, curbing fuel demand.

The Brent crude July contract rose 76 cents to \$82.12 a barrel. The more-active August contract closed up 73

cents at \$81.84.

US West Texas Intermediate (WTI) crude futures settled 85 cents, or 1.1 percent, higher to \$77.72.

On Thursday, Brent closed at its weakest since February 7 and US WTI futures at their lowest since February 23.

Summer demand in the United States is expected to pick up starting

this weekend, and some investors are wondering if the sell-off was exaggerated, said Dennis Kissler, senior vice president of trading at BOK Financial.

Brent closed down 2.1 percent for the week. It declined for four straight sessions this week, its longest losing streak since Jan 2. WTI settled down 2.8 percent for the week.

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Date: 25/05/2024

e-Tender Notice

e-Tenders are invited to the National e-GP System Portal (www.eprocure.gov.bd) for the Procurement of the following goods:

Tender ID No.	Tender name	Tender document selling/downloading date & time	Tender closing & opening date & time
870859	Purchase of Furniture (Code: 4112314) for the financial year 2023-24	26-May-2024 14:00	13-June-2024 14:00

- This is an online tender, where only e-Tender will be accepted in the National e-GP Portal and no offline/hard copies will be accepted.
- To Submit e-Tender, registration in the National e-GP System Portal (www.eprocure.gov.bd) is mandatory. The fees for the downloading the e-Tender documents from the National e-GP System Portal have to be deposited online through any registered bank's branches up to particular date and time specified on the tender notice.
- Further information and guidelines are available in the National e-GP System Portal and from e-GP help desk (www.helpdesk@eprocure.gov.bd).

Dr. Md. Abdul Kuddus

Director

Sheikh Hasina Medical College Hospital, Tangail

Japan inflation slows in April

AFP, Tokyo

The pace of Japanese inflation slowed in April as gas bills fell, government data showed Friday, raising questions about when the Bank of Japan will hike interest rates again.

The Consumer Price Index excluding volatile fresh food prices came in at 2.2 percent, compared with the 2.6 percent logged in March by the internal affairs ministry.

The figure was in line with market expectations and comes even as the weak yen inflates prices for imported goods.

The data "probably reflects a move by companies to restrain price hikes in response to sluggish consumer demand", Taro Kimura from Bloomberg Economics said.

"But the core gauge is still above the Bank of Japan's two percent target – and the latest data is unlikely to deter the central bank from normalising policy," it said.



A worker at Hatkhola of Barishal city loads discarded cardboard boxes onto a truck destined for a paper recycling mill. Such workers can earn anywhere from around Tk 500 to Tk 700 for a day's work. The photo was taken recently.

PHOTO: TITU DAS

Mobile operators allowed to pay spectrum fee in taka

MAHMUDUL HASAN

The telecom regulator has decided to allow mobile phone operators to pay spectrum acquisition fees in the local currency, a relief for them as the US dollar has become costlier to a large extent.

The Bangladesh Telecommunication Regulatory Commission (BTRC) took the decision at a meeting recently.

The row between the regulator and the operators over determining the currency for the clearing of the spectrum price surfaced in August last year when the BTRC sent a letter to the companies seeking their views on what currency should be used to settle the payment.

The payment was related to 190 megahertz (MHz) of spectrum acquired by the country's four mobile phone operators at \$1.23 billion in March 2022.

Banglalink, Grameenphone, and Robi wrote to the BTRC on October 22, requesting it fix the price in the local currency.

According to the operators, companies in all other South Asian nations except Pakistan pay the spectrum bill in their local currencies.

The price of spectrum was fixed in the taka from 2008 to 2011, BTRC documents showed. However, during the auctions in 2013, 2018, 2021 and 2022, the price was fixed in the USD.

However, the operators, in most cases, were permitted to pay it in installments in the local currency based on the exchange rate on the day of the auctions.

"We have always paid the spectrum fee in the taka," said Shahed Alam, chief corporate and regulatory officer of Robi, adding that the spectrum was priced in dollars solely to align them against the rates in other countries.

Sheikh Reaz Ahmed, a commissioner at the BTRC, said: "The spectrum fee will be set in the taka and the operators will be able to pay it for the spectrum they acquired in 2022."

If specified, the fee will have to be settled on the basis of the dollar rate at the time of payments, he added.

Banglalink, Grameenphone, and Robi wrote to the BTRC on October 22, requesting it fix the price in the local currency

During the last auction held in March 2022, the four operators bought 190 MHz of spectrum for \$1.23 billion, or Tk 10,645 crore, as per the exchange rate on the day.

That auction lasted only one hour, with market leader Grameenphone buying 60 MHz in 2600 band for Tk 3,361 crore. The

same was done by Robi, the second-largest operator.

Banglalink took 40 MHz in the 2300 band for Tk 2,241 crore while state-run Teletalk purchased 30 MHz in the same band for Tk 1,681 crore.

A total of 220 MHz in 2300 and 2600 bands at a base rate of \$6 million per MHz were up for sale.

In 2021, some 27.4 MHz was sold at \$885.35 million. The base rate was \$27 million for the 2100 band and \$31 million for the 1800 band.

The scope to settle the bills in the local currency will come as a respite for the operators since the dollar has gained by about 35 percent against the taka in the past two years amid continuous depletion of the foreign currency reserves.

The dollar traded at Tk 86 in March 2022 whereas it has shot to Tk 117 recently, Bangladesh Bank data showed.

Forex position to stabilise

FROM PAGE B1

to concessionary financing and support from international financial institutions."

Moody's expects external financing to help alleviate pressures on the external and fiscal metrics, enabling a stabilisation of external buffers although at a weaker level than before the pandemic.

It said the stable outlook is also underpinned by Bangladesh's economic resilience, supported by its globally competitive readymade garment industry, the second-largest in the world.

At the same time, the resilience is balanced against the country's low per capita income, constraints in infrastructure and human capital, low economic competitiveness, and high concentration among drivers of economic growth, particularly regarding the garment sector.

Moody's also said that Bangladesh's credit profile balances the country's robust growth prospects and moderate debt burden against its narrow revenue base that restricts fiscal flexibility.

and institutional weaknesses that constrain competitiveness.

While the competitive readymade garments industry will continue to contribute to GDP, exports, and incomes over the long term, weaker global demand, together with financial account deficits, have weakened Bangladesh's external position and increased liquidity pressures over the more immediate rating horizon, according to the report.

Debt affordability remains weak due to higher interest expenses relative to Bangladesh's low revenue generation capacity and the relatively modest, but rising, general government debt burden.

"The external position will remain at a weaker level versus two to three years ago," Moody's said.

It said inflationary pressures will remain high, curbing household consumption and keeping economic growth at a relatively modest level.

The Consumer Price Index grew 9.74 percent in April. It averaged 9.02 percent in the last fiscal year, the highest in more than a decade.

Cut expenses since tax receipts won't go up

FROM PAGE B1

the economy," said Mahmud, also a former professor of economics at the University of Dhaka.

The economist said Bangladesh sometimes feels complacent that the country will never default on foreign loan payments and there is a space for borrowing more from the external sector. "But it can create a loan trap for Bangladesh."

The faulty budget management can also create a debt trap even when borrowing is made from local sources, he warned.

If the government keeps borrowing from local banks and continues repayments of the loan, it will create a trap. It is one kind of vicious cycle."

Prof Mahmud said development spending can't be elevated because of the weakness in revenue collections. "As a result, Bangladesh's expenditure in the

education and health sectors has been one of the lowest among the developing nations."

Still, Bangladesh attained some incredible success in social sectors by reducing the child mortality rate, raising girls' school enrolment rate, and improving life expectancy.

"The development in the social indexes was made possible with low-cost solutions like oral saline and vaccines. However, if the successes have to be continued, the allocation in health and education should go up and the service quality in the two sectors should be improved."

He suggested reducing inflation and foreign debts to restore the stability of the economy.

"Only the construction of infrastructures can't ensure sustainable development because the government is relying on foreign debts to build them."

The economist said although

the government's foreign debt did not reach an alarming level, the borrowing rate is growing alarmingly.

He said many businesses don't deposit the value-added tax they collect while selling goods although the prices of commodities have gone up owing to the spike in the VAT rate.

"More revenue collection from the source tax is possible, but it is not a good approach."

He urged domestic industries to cut their reliance on imports as the country will not qualify for the unilateral tariff facility after the graduation of the country from the group of least developed countries to a developing nation in 2026.

Rather, the government should cut corruption to accelerate revenue generation, he said.

In replying to a query from a journalist, the economist also

questioned why the International Monetary Fund has shown generosity by relaxing the terms before releasing the first and second tranches of its \$4.7 billion loan.

"The current level of foreign currency reserves is not alarming, but the way it is falling is alarming."

Prof Mahmud said allocating expensive new cars to deputy commissioners and upazila nirbahi officers is one kind of expenditure and asked about the whereabouts of the old cars.

While moderating the competition, Hassan Ahmed Chowdhury Kiron, chairman of the DFD, called for improving food safety, reducing the incentives on export receipts, and increasing social safety net allocations.

Eden Mohila College won the competition beating the University of Barishal.

Social safety net allocations inflated

FROM PAGE B1

"This will enable people to know the amount of funds truly spent for poor and low-income people," said Eusuf.

Bangladesh has 115 social security schemes and 39 ministries implement the schemes, he said.

If the allocations for the pensions and interest payments are shifted into another category, the overall allocation for social safety net schemes will decline, he said.

In its analysis of the budget for the current fiscal year of 2023-24, the Centre for Policy Dialogue (CPD) in June last year classified the social safety net programmes (SSNPs) into three categories – acceptable, quasi-acceptable and non-acceptable.

Acceptable schemes are those that should naturally be included in the SSNPs. Quasi-acceptable schemes fall somewhere in the "grey" area and non-acceptable are those that should be excluded from the list, it said.

By analysing the allocation, the CPD said, "The SSNP budget continued to remain artificially inflated. Seemingly unrelated allocations are reported on the SSNP list."

The independent think-tank said the share of compatible SSNPs in total social safety net schemes declined from 62.2 percent in fiscal year (FY) 2009-10 to 29.2 percent in FY 2023-24.

Its share as a percentage of the gross domestic product (GDP) fell by more than half from 1.6 percent in FY 2009-10 to 0.7 percent in FY 2023-24, according to the CPD.

Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre (PPRC), said allocations for the pensions should be excluded immediately.

"It is not social protection per se," he said, adding that there are many programmes that do not fall in the category of social protection.

If the items included in the list of social security are examined thoroughly, the allocation for the social safety net will decline to one percent of the GDP, added Rahman, who follows poverty and social protection issues.

The finance ministry says allocations for social security schemes for FY 2023-24 amount to 2.52 percent of the GDP.

He suggested redesigning the social protection programmes keeping in mind the rise in urban poverty and climate change. He also pointed at the persistently high inflation and recommended increasing allocations for safety nets to help the financially insolvent.

"There are multiple viable opportunities," he said, adding that stipends for primary schools could be hiked and universal health coverage programmes could be expanded.

"But it is not a matter of allocation

only, it is a matter of monitoring and innovation," said Rahman.

"The low-income and marginalised population groups are in peril amidst the prolonged inflationary pressure. It demands more targeted support for these groups through social protection programmes," said CPD Senior Research Fellow Towfiqul Islam Khan.

"Surely, fiscal space is limited for the government to dedicate resources to this end. Hence, reallocating resources may be required to extend adequate finance," he said.

"Making it a top priority in the upcoming national budget needs strong political will and commensurate actions," he added.

"The effectiveness of the social protection budget will be determined by putting resources into appropriate social protection programmes. Policymakers should avoid any attempts at an eyewash," said Khan.

Sun Pharma opens new plant

STAR BUSINESS DESK

Sun Pharmaceuticals (EZ), a subsidiary of Sun Pharmaceutical Industries, expanded its footprint in Bangladesh as the drug-maker inaugurated a new manufacturing plant at the Meghna Industrial Economic Zone in Narayanganj yesterday.

Equipped with the latest technology and conforming to cGMP standards, the plant has an annual production capacity of approximately 1 billion tablets and capsules.

Salman F Rahman, private industry and investment adviser to the prime minister, inaugurated the plant, according to a press release.

Rahman praised Sun Pharma's efforts, highlighting its contribution to economic growth and innovation.

"Sun Pharma is the world's fourth-largest specialty generics company with presence in specialty generics and consumer healthcare products. It is the largest pharmaceutical company in India and is a leading generic company in the US as well as global emerging markets," he said.

Sun Pharma's high growth global specialty portfolio spans innovative products in dermatology, ophthalmology, and onco-dermatology.

The company's vertically integrated operations deliver high-quality medicines, trusted by physicians and consumers in over 100 countries. Its manufacturing facilities are spread across six continents.

Sun Pharma is proud of its multi-cultural workforce drawn from over 50 nations.

Pranay Verma, high commissioner of India to Bangladesh, Shaikh Yusuf Harun, executive chairman (senior secretary) of Bangladesh Economic Zones Authority, and Maj Gen Mohammad Yousuf, director general of the Directorate General of Drug Administration, and Mostafa Kamal, chairman and managing director of the Meghna Group of Industries, were present.

Dollar down on profit taking

REUTERS, New York

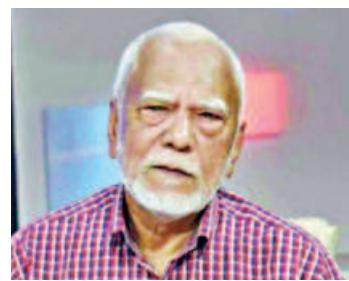
The dollar slipped against most major currencies on Friday as traders booked profits after recent gains but the US currency remained well-placed for further advances, supported by strong US economic data that has prompted markets to dial back expectations for interest rate cuts.

Data on Friday showed new orders for key US manufactured capital goods rebounded more than expected in April and shipments of these goods also increased, suggesting a pickup in business spending on equipment early in the second quarter.

This follows Thursday's data that showed US business activity in May accelerated to the highest level in just over two years and manufacturers reported surging input prices.

Minutes from the Federal Reserve's last meeting published this week showed a lively debate among policymakers as to whether current rates were sufficiently restrictive to cool inflation.

The dollar was down 0.3 percent at 104.72 against a basket of currencies on Friday, after advancing in five of the last six trading sessions. For the week the index was up 0.2 percent.

WEEKLY
INTERVIEW

Abu Ahmed

'Scope for investing in stocks has never been so narrow'

AHSAN HABIB

Bangladesh's stock market has never fallen into such a bad situation in terms of the narrowing of investment opportunities in the last 30 years, said Abu Ahmed, a stock market analyst.

Half of the banks, non-bank financial institutions and mutual funds are showcasing a dismal performance by giving out very low dividends, he said.

Power companies are also facing problems when it comes to generating revenue as their agreements with the government are very near to expiring, he said.

Local companies which had earlier staged a strong performance are struggling due to high inflationary pressure, rising energy costs and a massive devaluation of the local currency, which is deteriorating their performance, he added.

Multinational companies (MNCs) were comparatively in a better position in making money but they were declaring very low dividends, said Ahmed, who is a former chairman of the economic department of the University of Dhaka and a stock market investor.

"I have never, in my entire investment period since 1985, seen the MNCs pay such low dividends," he said.

As the country is facing a shortage of the US dollar, these companies did not continue declaring high dividends last year, he said in an interview with The Daily Star yesterday.

"So, where will people invest? I have not seen such a bad situation in the stock market in the past, at least in the last 30 years," he said.

Ahmed initially invested in the primary stock market and later started to trade in the secondary stock market in 1987. Since then, he has been active.

The performance of listed companies is not up to par, for which the stock market index is on a falling trend, he said.

Foreign investors have been making sales on a massive scale for the last couple of years because they knew that the local currency was artificially overvalued and it would certainly fall, he said.

"Now, it is happening, so I will not be surprised if foreign investors' investment slowly reaches zero," said Ahmed.

Institutional investors are also trying to shift their investments into treasury bonds as their yield rates are high, he said.

READ MORE ON B2

Google to invest \$350m in India's Flipkart

REUTERS, Bengaluru

Alphabet's Google will pick up a minority stake worth \$350 million in Walmart-backed Flipkart, valuing the Indian e-commerce firm at \$37 billion, a source with direct knowledge of the matter told Reuters.

Google and Flipkart were not immediately available to confirm the value of the investment.

The tech giant will join in as an investor in the latest funding round for the Bengaluru-based company, Flipkart said in a statement.

The round will be led by Walmart, Flipkart's biggest shareholder and will make Google a minority investor, subject to approvals.

"Google's proposed investment and its Cloud collaboration will help Flipkart expand its business and advance the modernization of its digital infrastructure to serve customers across the country," Flipkart said in a statement.

In December 2023, a Flipkart spokesperson confirmed that Walmart was set to infuse \$600 million in the company as part of a \$1 billion round.

Flipkart has been a source of IPO speculation since Walmart took over the company, which competes with Amazon.com in India.

Earlier this month, executives at the U.S. retail giant said they are "looking and exploring" for the right time for Flipkart's initial public offering.



A Mercedes-Benz car is on display at Dhaka Motor Show at the Bangabandhu Bangladesh-China Friendship Exhibition Center in the capital. The three-day exposition ended yesterday.

PHOTO: COLLECTED

DHAKA MOTOR SHOW 2024

EVs, locally assembled cars steal the show

JAGARAN CHAKMA

Locally assembled cars and a range of electric vehicles (EVs) offered by Mercedes-Benz were the main attraction during the 17th Dhaka Motor Show at the Bangabandhu Bangladesh-China Friendship Exhibition Center on Friday.

The show, which ran from May 23-25, was organised by CEMS-Global.

Rancon Motors was showcasing Malaysian brand Proton's X70 model, which is assembled in Rancon's hi-tech industrial park, while Meghna Automobiles Ltd (MAL) was displaying two cars under South Korean brand Kia, the 1,500cc Seltos and 1,600cc Cerato.

Yasir Quader Abedin, head of marketing of Rancon Cars Ltd, said the locally assembled five-seater was launched in Bangladesh on the first day of the motor show.

He added that the compact sports utility vehicle was available for pre-booking at a special price of Tk 36 lakh and would come with a warranty of five years or 150,000 kilometres, whichever comes first, along with six free after-sales services.

Genuine spare parts will also be ensured at authorised service centres in Dhaka and Chattogram initially.

Meanwhile, MAL was aiming to provide brand-new passenger cars at a lower price than it would cost to import.

Mridul Hasan Ridoy, manager at MAL, said the price of both the Seltos and Cerato price came down to Tk 43 lakh from Tk 50 lakh after local assembly started.

However, he said they could not start selling locally assembled cars as they are yet to receive the go-ahead from the Bangladesh Road Transport Authority.



Ridoy added that MAL may assemble Kia's popular Sportage model in the future, saying: "It is in the pipeline."

He added that their aim was not to sell cars at the show but to showcase locally assembled vehicles.

Rancon also showcased four EVs of Mercedes-Benz's EQ series, with prices ranging from Tk 1.95 crore to Tk 2.95 crore.

Haval of China, Mitsubishi of Japan, and MG of the UK also displayed their latest models.

Farhana Yasmin, a senior executive of Rancon Motors, was in charge of the MG stall and said they had three models on display -- the MG HS, MG ZST, and MG 5.

She said they were offering MG HS at Tk 46 lakh and MG ZST at Tk 36 lakh. The turbo-equipped MG 5 was selling for Tk 38 lakh while the non-turbo variant cost Tk 34 lakh.

Yasmin added that three units had been booked on the first day of the fair.

Besides, the 8th Dhaka Bike Show, 7th Dhaka Auto Parts Show, 6th Dhaka Commercial Automotive Show, and 1st Electric Vehicle Bangladesh Expo were held simultaneously.

Meherun N Islam, president and group managing director of CEMS-Global USA & Asia-Pacific, said the Dhaka Motor Show and related exhibitions were one-stop platforms for motor enthusiasts and businesses in the auto industry.

According to her, the show will play a helpful role in the progress of related sectors and also enhance Bangladesh's image in the global market.

Various brands from 17 countries, including Japan, India, China, Malaysia, and South Korea, and over 175 companies participated across all the events.

How do we stabilise the economy?

MAMUN RASHID

Bangladesh's economy is struggling with higher inflation, depletion of foreign exchange reserves, pressure on the exchange rate, shrinking capital inflows, and pressure on the budget.

While the government's intentions to address the macroeconomic challenges are gradually gaining momentum, the results so far fall short of what is required. GDP growth is downward, investments are down, and export growth is much below the estimates. The shortage of foreign exchange and the associated import reductions are likely to heavily impact GDP growth, private investment, and exports.

The policy response from the government in recent past was to manage the balance of payments (BoP) with import controls and the use of forex reserves and to control domestic inflation through budgetary subsidies. Efforts were also there to protect GDP growth and investments through a strong grip over interest rates, the increase of fiscal deficits, and the liberal use of central bank financing.

Incidentally, these instead of helping the situation, further worsened it. There was an unsustainable run on forex reserves that put pressure on the exchange rate, foreign capital flows fell, and inflation rose significantly. Growing budgetary subsidies lowered spending on core social services and put pressure on fiscal deficits. To stop the slide in the exchange rate, the government further tightened imports, adversely affecting GDP growth, investment, and exports.

The macroeconomic imbalances have emerged from inflationary pressure, BoP pressure and fiscal pressure. Addressing these issues required the use of policy instruments that best relate to each of these areas -- monetary policy to ease the inflationary pressure, exchange rate policy to ease the budgetary pressure.

The excessive reliance on import controls is inconsistent with GDP growth aspiration. While selective import controls can play a short-term emergency adjustment role, resorting to import controls can cause serious supply disruptions, discourage domestic and foreign private investments, hurt exports, and lower GDP growth.

Our exchange rate has been highly overvalued for almost 10 years. By failing to correct this overvaluation on a timely basis, the country exposed its currency to substantial depreciation in recent times.

An accepted way of managing the BoP is to let the exchange rate be market-determined. This should be complemented by trade policy reforms that lower trade protection and the anti-export bias of trade policy. A flexible exchange rate along with a lower trade protection can boost exports and remittances, thereby increasing the forex supply.

On the demand side, reduction in private spending through the increase in interest rate combined with higher taxes and lower fiscal deficit will help reduce the demand for imports and avoid the exchange rate slide.

Various research showed the main source of inflationary pressure is excess liquidity in the system. These were further intensified by the persistence of interest controls through the 6/9 interest rate policy, rising fiscal deficit, and liberal central bank financing of fiscal deficit.

Inflation reduction in a weakly governed market like ours usually takes time and may require further increases in interest rates. Hence the budget deficit must be reduced.

The right policy approach to cut the fiscal deficit is to increase revenues through effective tax reforms and by reforming state-owned enterprises. Every year, the government sets ambitious tax targets that are not met. As a result, the tax-to-GDP ratio is not only extremely low at less than 8 percent of GDP, but also declining.

The recent exchange rate adjustment seems to be yielding results with a bit of increased USD liquidity in the market. The interest rate increase should help with inflation if handled well. Foreign and local currency liquidity rise hence remains to be the main key to improving investors and business confidence.

The author is an economic analyst.

EU told to tackle food cost differences across the bloc

AFP, Brussels

Eight EU states urged Brussels Friday to clamp down on multinational giants unfairly limiting the sale of products within the bloc, forcing European consumers to pay more.

Their call comes a day after the European Commission slapped a 337.5-million-euro (\$366-million) antitrust fine on Mondelez, the US confectioner behind major brands including Toblerone and Oreo, for restricting cross-border sales of chocolate.

The cost of living is a hot topic ahead of EU-wide elections in June as European households have been hit hard by soaring consumer prices following the coronavirus pandemic and Russia's war on Ukraine. Inflation has slowed down since its peak in late 2022 but food costs remain high.

Several EU countries believe addressing unfairness in the single market is one way to help struggling consumers.

Eight EU governments led by the Netherlands said there are price differences for the same products within the European Union and Brussels "should take action" if it was because big multinationals were limiting the sale of goods in the EU's single market.

The seven others named in a joint paper are Belgium, Croatia, the Czech Republic, Denmark, Greece, Luxembourg and Slovakia. The issue was discussed during a meeting of EU ministers in Brussels Friday.

EU competition commissioner

Margrethe Vestager said Brussels would start with a "fact finding mission" and then "figure out what tools are actually necessary in order to prevent territorial restrictions that make prices rise where they shouldn't".

The commission, the EU's antitrust



A woman stops to buy vegetables at a stall as people shop in the local market in the northern city Thessaloniki, Greece. Several EU countries believe addressing unfairness in the single market is one way to help struggling consumers.

watchdog, would work with member states to find a solution, she told reporters after the meeting.

The constraints cost EU consumers more than 14 billion euros a year, the eight countries said, pointing to an estimate from a 2020 commission study.

Greek Prime Minister Kyriakos Mitsotakis also urged the EU to crack down on giant firms at the weekend in a letter to commission president, Ursula von der Leyen.

The free movement of goods is one of the key pillars of the EU's single market.

"Removing trade barriers should be a key priority for the single market. This helps in keeping consumer retail prices for food and non-food products fair. Something which is especially important in times of high consumer prices," Dutch Economy Minister Micky Adriaansens said.

The eight states propose "a concrete way forward towards an EU ban" on restricting the exchange of goods within the bloc "by amending existing or new common EU rules or instruments", she added.

The concerns are not new. In 2019, Brussels fined the world's largest brewer AB InBev 200 million euros for hindering cheaper beer imports into Belgium from the Netherlands.