

Star BUSINESS

The prices of broiler chicken and eggs, staple sources of protein for many middle and low-income groups, have increased over the past week



Story on B4

Exports slide 16% in May

Overall receipts stand at \$51.54b in July-May

REFAYET ULLAH MIRDHA

Merchandise exports from Bangladesh declined 16.06 percent year-on-year to \$4.07 billion in May due to the poor performance of major sectors such as garments, jute and jute goods, and leather and leather products, official figures showed yesterday.

However, overall shipments grew 2.01 percent to \$51.54 billion in July-May, according to data from the Export Promotion Bureau (EPB).

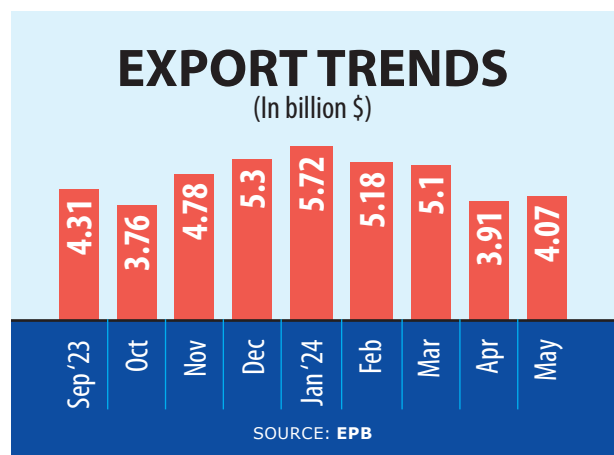
May's drop comes at a time when the government is looking to give a much-needed fillip to the foreign exchange reserves and reverse the widening deficit in the financial account on the back of export and remittance earnings, the two biggest sources of international currencies for the country.

SM Mannan Kochi, president of the Bangladesh Garment Manufacturers and Exporters Association, blamed the global inflationary pressures for the reduction in exports.

The shipment was severely impacted by the slide in demand as consumers in the western markets are still reeling from an elevated level of prices, fuelled by the lingering impact of the Covid-19 pandemic and the raging Russia-Ukraine war.

The sales of garment items, which account for more than 84 percent of Bangladesh's total annual exports, grew 2.86 percent to \$43.85 billion in the first 11 months of the current financial year.

Knitwear shipments grew 6.15 percent year-on-year



to \$24.70 billion in July-May, but the exports of woven garments fell 1.09 percent to \$19.14 billion.

Garment shipments to the US and the European Union declined by 7.18 percent and 12.84 percent, respectively, said Kochi.

The price of garment items exported from Bangladesh to the US fell by 8 percent, while it declined 18 percent in the EU, he said.

According to the EPB, the export of jute and jute goods fell 7.53 percent to \$784.69 million in July-May.

Md Saiful Islam, a former director of the Bangladesh Jute Spinners Association, said the imposition of a 2 percent source tax on export receipts since 2020 has discouraged exporters, which impacted the sales of jute and jute goods.

READ MORE ON B3

Prime Bank
MyPrime
PAY MINIMUM
TK. 1000 ELECTRICITY BILL
GET TK. 100 CASHBACK

Banking reforms remain a pipe dream

MD MEHEDI HASAN

In his budget speech for 2019-20, former finance minister AHM Mustafa Kamal hinted that the government was thinking of undertaking a number of reforms to bring about discipline in the banking sector.

He would go on to refer to such reforms while announcing the next four budgets, but only a few were ever implemented, leading to the sector becoming even more undisciplined.

The government and the central bank managed to take some initiatives, including amending a bank company act and a central bank roadmap to address governance issues.

Yet, good governance in the banking sector remains a far cry as these measures alone remain ineffective.

So, as new finance minister, Abul Hassan Mahmood Ali, gears up to place his first budget for FY25, the lack of good governance in the banking sector remains a widely discussed issue.

At present, the banking sector is struggling with a high volume of bad loans and stressed assets alongside weak financial health of some banks, liquidity challenges in a good number of Islamic

banks and weak regulations of Bangladesh Bank.

At the end of 2023, defaulted loans in the banking sector stood at Tk 145,633 crore, up 64.12 percent from Tk 88,734 crore at the end of 2020.

Meanwhile, stressed assets, including written-off loans and rescheduled loans, stood at Tk 377,922 crore, central bank data showed.

Central bank officials also said bad loans increased sharply in the January-March quarter this year.

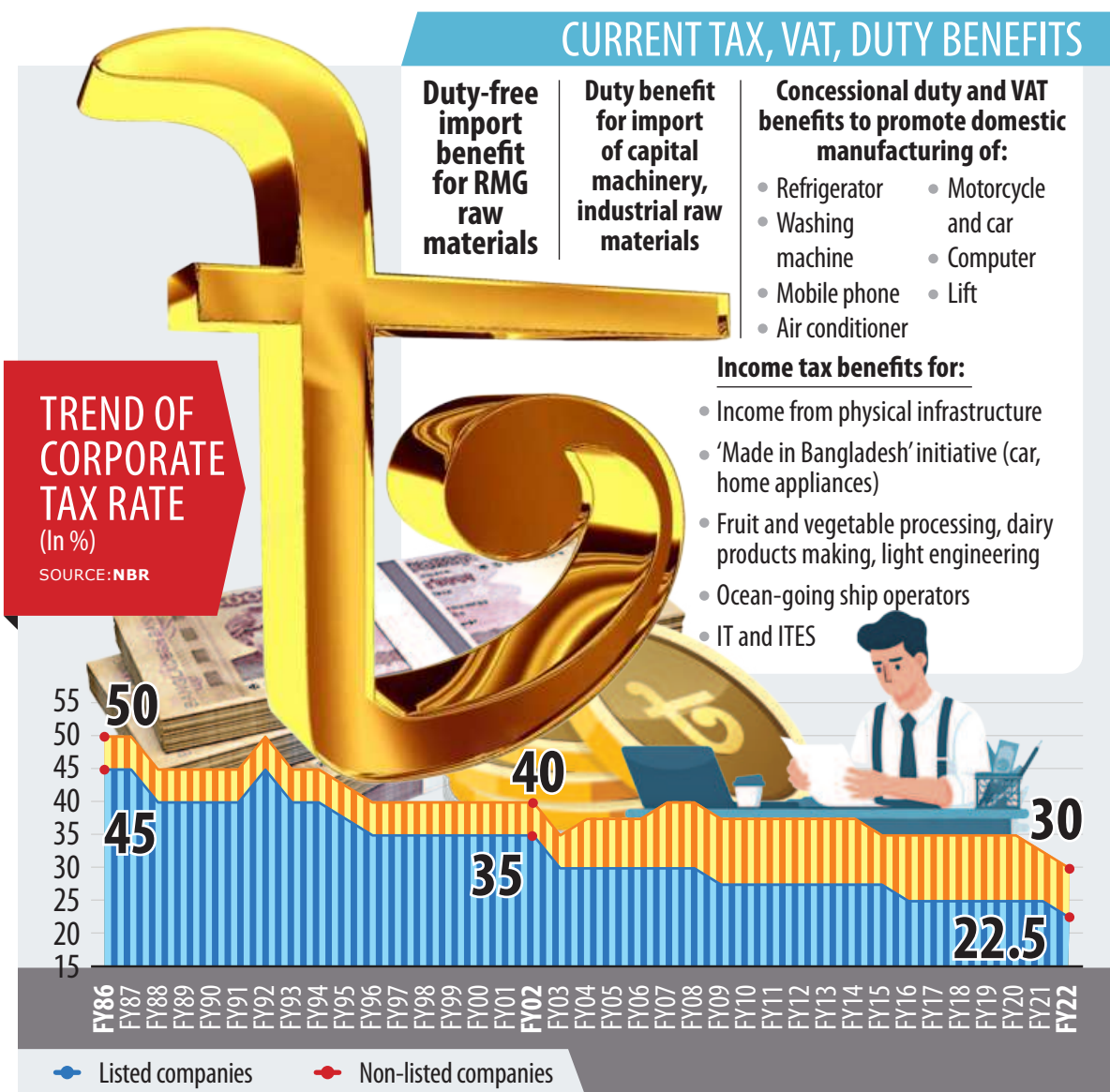
For instance, till March of this year, state-run Janata Bank's bad loans stood at Tk 30,495 crore, or 31 percent of its disbursed loans, up from Tk 25,009 crore, or 25 percent of its total loans, at the end of December last year.

Similarly, soured loans at Sonali Bank stood at Tk 14,988 crore, or 14.84 percent of total disbursed loans, till March this year, up from Tk 13,340 crore, or 13.23 percent of total disbursed loans, at the end of last year.

A dozen banks, including Padma Bank, National Bank, Basic Bank, Janata Bank and ICB Islamic Bank, have become weaker in this manner.

READ MORE ON B3

BUDGET REVIEW



How far have fiscal measures promoted industrialisation?

MD ASADUZ ZAMAN

The government is likely to extend tax exemptions for the information technology sector for three more years as the current phase of concessions ends on June 30.

Finance Minister Abul Hassan Mahmood Ali is likely to announce the extension today when he unveils his as well as the new government's first budget.

The IT sector has been enjoying the tax break for several years. It is one of the many sectors that have been allowed tax and VAT exemptions as well as concessional import duties as the government looks to spur industrialisation, create jobs for the millions of youths joining the workforce each year, and accelerate economic growth.

For example, the corporate income tax has halved over the past four decades.

However, questions remain whether the generous tax treatments as well as overall fiscal policies have drawn investments and facilitated manufacturing growth.

Economists and businesses have

been affirmative.

Sadiq Ahmed, vice chairman of the Policy Research Institute (PRI) of Bangladesh, said the fiscal policy has contributed to the boom of the readymade garment sector, which in turn generated jobs directly and supported the development of backward linkages and yarn and fabric textile enterprises, indirectly.

"The decision to allow duty-free imports of all RMG inputs through the bonded warehouse system was instrumental in driving the growth of garment production and exports."

The apparel sector began its journey more than 40 years ago with earnings standing at \$31.5 million in the fiscal year of 1983-84, which accounted for only 3.8 percent of the total earnings from the export sector.

Today, it is the biggest foreign currency earner in the country and fetched 84 percent of the \$55.5 billion generated from the sales of merchandise in the last fiscal year of 2022-23.

Bangladesh is also the second-largest supplier of apparel in the world, only behind China. It is the

biggest employer as well.

"The fiscal policy has wide-ranging impacts on several dimensions of the economy – investment, industrialisation, job creation, economic growth, and poverty reduction," said Zaidi Sattar, chairman of the PRI.

"It is a pivotal component of Bangladesh's policy stance for development."

He said overall, the fiscal policy has been vital in driving economic progress in the past and would remain the pivotal macroeconomic policy instrument to support future investment, industrialisation, and job creation.

Syed M Tanvir, managing director at Pacific Jeans, one of the largest garment exporters in Bangladesh, said the tax and duty measures helped the garment sector expand.

"The duty-free import benefit of fabric and accessories has been a timely step."

Sadiq Ahmed called for extending similar support to non-RMG exports combined with a market-based exchange rate.

READ MORE ON B3

Spending on education falls short of expectations

WASIM BIN HABIB and MOHIUDDIN ALAMGIR

After the national budget is unveiled, the government always boasts that education gets significant investment as one of the priority sectors. The budgetary numbers will also tell you so.

A closer look, however, reveals a gap between what is written in the budget documents and the reality.

Since the size of the national budget is ballooning, the expenditure on education, which constitutes a critical component of a nation's human capital development, is also on the rise.

However, in terms of gross domestic product (GDP), the actual spending has remained almost stagnant, and, in some years, it has even experienced a fall. This stands in stark contrast to what Bangladesh committed on global forums.

For example, when the Dakar Declaration came in 2000, the country said it would spend 6 percent of GDP on education. The United Nations Educational, Scientific and Cultural Organisation recommends earmarking four to six percent of the GDP for the sector.

BUDGET REVIEW

The actual spending in the education sector as a share of GDP has stood at less than 2 percent for the last 15 years.

In 2009-10, the maiden year for the Awami League of its four consecutive terms, the government spent Tk 11,996 crore for education, which represented 1.52 percent of GDP.

Five years later, the outlay more than doubled to Tk 25,088 crore, yet it was only 1.60 percent of GDP. It again doubled to Tk 52,824 crore in a span of five years in 2021-22. Still, it amounted to 1.52 percent of the economic output.

Such dismal spending is one of the lowest even among the least-developed countries, the club of the poorest nations in the world.

An analysis of the 2023-24 national budget by the Centre for Policy Dialogue (CPD), a think-tank, showed at least 35 LDCs redirected funds amounted to at least two percent of their GDP for education between 2016 and 2022.

Bangladesh's expenditure averaged 1.8 percent during the period. Myanmar devoted 2.1 percent.

READ MORE ON B3

STOCKS

DSEX ▼	CASPI ▼
0.44%	0.18%
5,224.36	14,942.83

COMMODITIES

Gold ▲	Oil ▲
\$2,333.73 (per ounce)	\$73.42 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 3.20%	▼ 0.89%	▼ 0.27%	▼ 0.83%
74,382.24	38,490.17	3,330.01	3,065.40

Banking reforms remain a pipe dream

MD MEHEDI HASAN

In his budget speech for 2019-20, former finance minister AHM Mustafa Kamal hinted that the government was thinking of undertaking a number of reforms to bring about discipline in the banking sector.

He would go on to refer to such reforms while announcing the next four budgets, but only a few were ever implemented, leading to the sector becoming even more undisciplined.

The government and the central bank managed to take some initiatives, including amending a bank company act and a central bank roadmap to address governance issues.

Yet, good governance in the banking sector remains a far cry as these measures alone remain ineffective.

So, as new finance minister, Abul Hassan Mahmood Ali, gears up to place his first budget for FY25, the lack of good governance in the banking sector remains a widely discussed issue.

At present, the banking sector is struggling with a high volume of bad loans and stressed assets alongside weak financial health of some banks, liquidity challenges in a good number of Islamic

banks and weak regulations of Bangladesh Bank.

At the end of 2023, defaulted loans in the banking sector stood at Tk 145,633 crore, up 64.12 percent from Tk 88,734 crore at the end of 2020.

Meanwhile, stressed assets, including written-off loans and rescheduled loans, stood at Tk 377,922 crore, central bank data showed.

Central bank officials also said bad loans increased sharply in the January-March quarter this year.

For instance, till March of this year, state-run Janata Bank's bad loans stood at Tk 30,495 crore, or 31 percent of its disbursed loans, up from Tk 25,009 crore, or 25 percent of its total loans, at the end of December last year.

Similarly, soured loans at Sonali Bank stood at Tk 14,988 crore, or 14.84 percent of total disbursed loans, till March this year, up from Tk 13,340 crore, or 13.23 percent of total disbursed loans, at the end of last year.

A dozen banks, including Padma Bank, National Bank, Basic Bank, Janata Bank and ICB Islamic Bank, have become weaker in this manner.

READ MORE ON B3

BUDGET REVIEW

STAR BUSINESS REPORT

Default loans at six state-run banks rose by 42 percent year-on-year to Tk 85,869 crore at the end of March this year, giving an indication of their fragile financial health resulting from a lack of good governance.

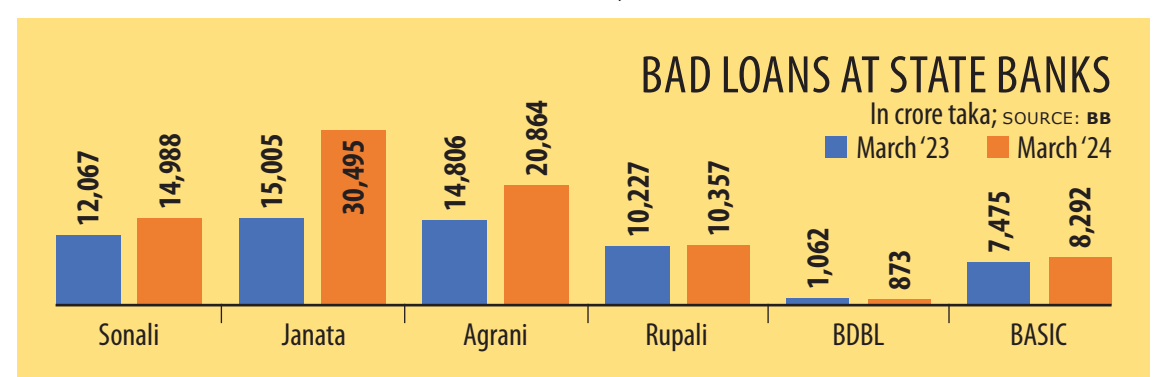
The lenders are Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank and BASIC Bank.

At the end of March last year, the amount was Tk 60,642 crore, showed Bangladesh Bank data.

Bankers said there was now a tendency among borrowers to refrain from repaying of loans citing excuses of the present economic condition

These banks had Tk 78,365 crore in bad loans at the end of December last year.

The default loans have increased at a time when the government and the central



bank are seeking to reduce such loans.

In line with the prescriptions of the International Monetary Fund (IMF) for a \$4.7 billion loan programme, the target is to reduce bad loans of state-run banks to 10 percent of their outstanding loans by 2026.

The target for private commercial banks is 5 percent.

Bankers said there was now a tendency among borrowers to refrain from repaying loans citing excuses of the present economic condition.

On the other hand, most of

the bad loans of the state-run banks have been taken through irregularities and scams and that was why it was difficult to recover those loans.

Scam-hit Janata Bank has the highest amount of bad loans in the banking sector, of Tk 30,495 crore, which was 31 percent of loans it had disbursed.

Agrani Bank's bad loans amounted to Tk 20,864 crore or 28 percent of its disbursed loans, showed the BB data.

A senior official of the central bank said it was not only state-run banks but also private commercial

banks which have seen an increase in bad loans.

At the end of December of last year, bad loans in the banking sector stood at Tk 145,633 crore, which accounted for 9 percent of the funds disbursed, BB data showed.

However, the distressed assets in the entire banking sector amounted to Tk 375,000 crore last year.

These include defaulted loans, rescheduled loans, written-off loans, and the credits that were regularised following court orders.