Star BUSINESS

Turnover on the interbank foreign exchange market of Bangladesh has been falling for the last two years, according to a BB report

Story on B4

Govt short of taka, USD due to financial distress

Says economist Ahsan H Mansur

STAR BUSINESS REPORT

Ahsan H Mansur recommends

- Bring transparency to financial sector
- Stop providing incentives on remittance
- Stop printing money to protect weak banks
- Hike policy rate to 10% to contain inflation
- Publish a white paper on the banking sector
- Reveal actual data of banks
- Boost forex reserves by tackling capital flight

The government does not have adequate taka and US dollars to implement the budget because of financial distress and its failure to raise enough revenues, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, yesterday.

"Due to the crisis of the taka and US dollars, the government is now unable to pay the bills for various sectors, including the energy sector. Many foreign companies also can't repatriate funds from Bangladesh to their home countries," he said.

Mansur made the observations while addressing a discussion on the "Reason for the bad state of Bangladesh's banking sector" at the Economic Reporters' Forum (ERF) auditorium in the capital's Paltan.

Owing to liquidity shortage, Bangladesh is increasingly becoming dependent on debts day by day. The country's borrowing capacity from internal sources is gradually shrinking since banks are facing a liquidity crisis.

In the case of foreign debts, disappointment came from India and China as they did not respond to Bangladesh's requirements as expected, Mansur said.

"On the other hand, the government is not able to raise enough revenues."

Mansur, also a former economist of the International Monetary Fund, said banks are now showing profits by transferring the interest on loans to the income account without receiving it.

"We are selling the plates to buy biriyani."

The economist added banks are also distributing dividends from these profits, and the government is collecting taxes as well.

He said before the national election that took place in the first week of January, it was said that there would be mega reforms in the financial sector.

"However, six months have passed, and nothing has happened. This is very disappointing."

The economist said reforming the banking sector is crucial for the sake of the country.

"It is good that the IMF has given the loan to Bangladesh and has tagged some reforms with it. However, the reforms should be executed for our own sake."

He also talked about money laundering. "If the outflow of assets from the country continues, the current crisis will not be resolved. Political will is needed to deal with the crisis."

Mansur called for publishing a white paper on the state of the banking sector.

"There are more data anomalies in the banking sector than any other sector, including the export data mismatch."

He claimed actual non-performing loans (NPLs) are around 25 percent in the banking industry although it is hovering around 10 percent on paper.

"There is a question about whether savers will get back their bank deposits."

The economist recalled the banking sector was in bad shape in 1990 when a reform programme was initiated. The current regulations were borne out of the reform programme and the sector had received positive outcomes as well.

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Govt to form autonomous body for proper debt management

REJAUL KARIM BYRON *and* AHSAN HABIB

The government is mulling to launch an autonomous body to ensure proper debt management.

All aspects of public debt management, from the issuance of treasury securities to the overseeing of the national savings certificates and external borrowing, would be conducted under the Finance Division through the autonomous unit.

The government expressed hope in the latest medium-term debt management strategy that a single debt management entity would improve coordination, reduce redundancies, enhance the government's ability to manage debt-related risks efficiently and maximise the benefits of public debt.

The decision to form an autonomous body comes at a time when Bangladesh is facing a challenge in managing its rising debt amid depleting foreign exchange reserves.

The total debt of the country stood at Tk 1,835,035 crore, or $156 billion, as of June 30.

Of total debt, domestic debt amounted to Tk 1,035,529 crore, or $88 billion. The rest is external debt.

To enhance the management of public debt, it is crucial for Bangladesh to gradually move towards a unified debt management framework.

A unified approach would ensure more coherent and effective debt management, the government said.

Capacity development of the debt management unit in this regard will help to ensure better implementation of the debt strategy and maintain public debt on a sustainable trajectory.

The primary objective of the debt management policy is to ensure that the financing and debt service obligations are met at the lowest possible cost with an acceptable level of risk.

A single debt management entity would improve coordination, reduce redundancies, and enhance the government's ability to manage debt-related risks efficiently

Initially, total debt as a percentage of the gross domestic product (GDP) experienced a downward trend, decreasing from 35.9 percent in fiscal year 2006-07 to 26.2 percent in FY17.

However, there has been a subsequent upward trend, with total debt reaching 36 percent of the GDP in 2022-23 fiscal year.

The public debt of Bangladesh is composed of domestic and external debts.

At the end of FY24, domestic debt was projected to account for 56 percent of the total debt stock while the remaining 44 percent would be external debt.

National savings certificates and T-bonds are the main components of the

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Digital activities to be included in census for first time

MD ASADUZ ZAMAN

Bangladesh is set to include online economic activities of firms and households in its new census this year to cover all sectors of the country, a move that is expected to present data about the size of the expanding digital economy.

On July 7, the Bangladesh Bureau of Statistics (BBS) rolled out the Fourth Economic Census 2023 Project. Its enumerators will enroll economic establishments and households until July 26.

"The questionnaire for the listing stage contains 14 types of questions this year whereas it was four in 2013," said SM Shakil Akhter, the project director.

On July 7, the Bangladesh Bureau of Statistics rolled out the fourth economic census

"All kinds of e-commerce activities will be enlisted for the first time."

The move reflects the increasing economic activities carried out virtually in Bangladesh. In recent years, e-commerce, f-commerce, e-trade and freelancing have boomed in the country, in keeping with global trends.

"We want to bring under coverage all informal sectors through this census," Akhter said.

Now, the BBS is conducting the census's listing digitally. The main operations will be conducted in December during a 15-day period. The exact date is yet to be fixed. Data will be collected under

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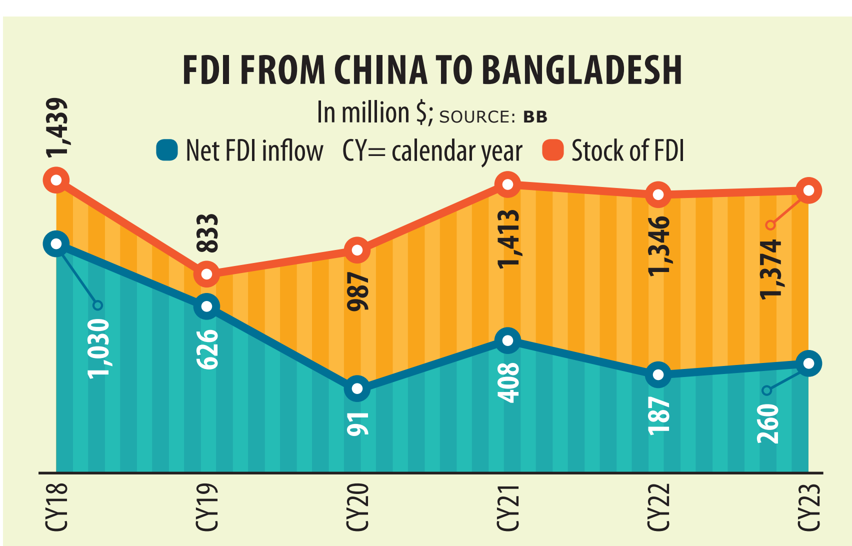
Will there be any uptick in investment after PM's China visit?



JAGARAN CHAKMA *and* REFAYET ULLAH MIRDHA

THE WEEKLY VIEW

There was an expectation that investment inflows from China to Bangladesh would increase substantially following the Covid-19 pandemic as investors in China were looking for an alternative manufacturing hub.

But that has not happened in reality. Instead, over the past six years, investment inflow from China has witnessed ups and downs but has remained far from the heights it had hit in the past.

Around $1.03 billion was invested in Bangladesh from Chinese sources in FY18 and $626 million in FY19. But the inflow fell to just $91 million in FY20 during the height of the pandemic. There were signs of recovery afterwards as $408 million arrived from China in FY21, but that number declined to $187 million in FY22 and $260 million in FY23.

The Chinese Economic and Industrial Zone (CEIZ) in Chattogram has often been highlighted as one avenue for boosting Chinese investment in Bangladesh. But construction of the project is yet to start despite eight years having passed since the Bangladesh Economic Zones Authority (Beza) first took the initiative.

Furthermore, a joint feasibility study to sign a free trade agreement (FTA) between Bangladesh and China has already been conducted. But the date for the beginning of formal negotiations remains unclear.

Against such a bleak backdrop, Bangladeshi businessmen were optimistic that Prime Minister Sheikh Hasina's recent visit to Beijing would provide the necessary impetus for the expansion of bilateral trade and increased foreign direct investment (FDI) from China.

During the visit, Bangladeshi and Chinese companies signed 16 memoranda of understanding (MoUs) to boost investment in Bangladesh. Under four of those MoUs, Bangladesh is set to receive $490 million.

The Chinese companies are expected to invest in Bangladesh's textile, electric vehicle, solar power, fintech and technology sectors.

Nihad Kabir, a former president of the Metropolitan Chamber of Commerce and Industry, said that

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