

Banks' deposit growth dropped in 2024 amid confidence crisis

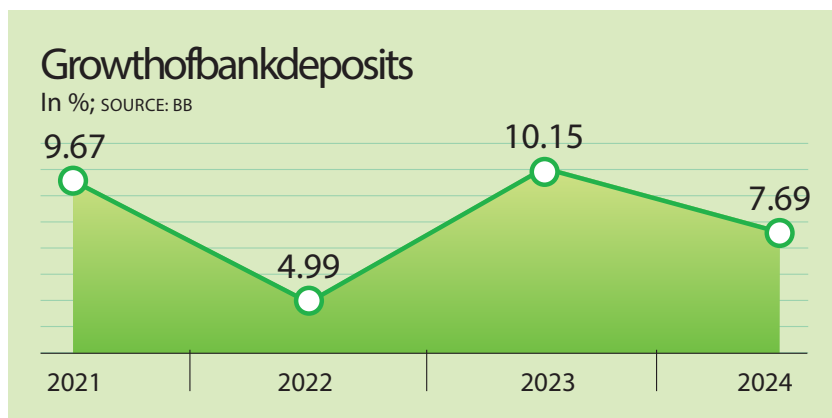
STAR BUSINESS REPORT

Banks in Bangladesh saw slower deposit growth last year mainly due to high inflation, the people's confidence crisis regarding some banks and a crackdown on money laundering, according to officials of the country's central bank.

Bank deposits registered an average annual growth rate of 7.69 percent by the end of 2024 while it was 10.15 percent the year prior, showed data of the Bangladesh Bank.

They said that although most banks are offering high interest on savings, the deposit growth declined last year as many small and individual customers withdrew their money to

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cover essential expenses amid high inflationary pressure.

They added that loan and deposit rates have been rising ever since the central bank removed the single-digit ceiling on lending in an effort to curb inflation in the country.

Inflation in Bangladesh has hovered above 9 percent since May 2023, and stood at 9.32 percent in February this year.

The central bank officials also said that general savers have lost

their trust in a number of banks, such as those led by the controversial business conglomerate S Alam Group. Additionally, scam-hit lenders faced massive withdrawal pressure after the political changeover on August 5, 2024.

Afterwards, the Bangladesh Bank had to inject fresh funds into those weak banks to help address the ensuing liquidity crisis.

On the other hand, politically affiliated individuals and those with

black money withdrew their funds from the banking sector as panic spread among them due to the recent government crackdown.

Following the political changeover, the bank accounts of 366 individuals and entities, with a combined balance of Tk 15,000 crore, were frozen between August and December last year for their alleged involvement in money laundering.

Central bank data also showed that currency outside the banking sector amounted to about Tk 276,371 crore by the end of 2024, up from Tk 254,860 crore the previous year.

However, Sonali Bank, BRAC Bank, Citizens Bank, Midland Bank, MTB, NCC Bank, ONE Bank, Prime Bank, Pubali Bank, Shimanto Bank, City Bank, Bank Asia, Eastern Bank PLC, Jamuna Bank, Trust Bank, and Mercantile Bank were among those that saw good deposit growth last year.

Deposit growth in the banking sector stood at just 4.99 percent in 2022 whereas it was 9.67 percent in 2020, as per central bank data.

Private ICDs revise charges for Patenga terminal-bound containers

STAFF CORRESPONDENT, Ctg

Owners of private inland container depots (ICDs) have revised tariffs for three types of services related to handling containers to and from Patenga Container Terminal, a privately operated terminal of Chattogram port.

The Bangladesh Inland Container Depots Association in a recent circular announced that the charges would be raised by Tk 1,000 to Tk 2,000 per container. The new charges will take effect from April 1.

According to the circular, the charge for transporting a 20-foot empty container from the Patenga terminal to the depots has been increased from Tk 1,705 to Tk 2,705, while for a 40-foot container, the charge has been raised from Tk 3,410 to Tk 5,410.

The export-loaded container handling package charge has been raised for a 20-foot container from Tk 6,187 to Tk 7,187, while for a 40-foot container, it has been increased from Tk 8,250 to Tk 10,250.

This package includes multiple services, such as transporting an empty container from a depot's own yard to its container freight station (CFS), loading export cargo into the container at the CFS, moving the loaded container back to the depot yard, and later transporting the loaded container from the depot to the PCT for shipment.

The import container handling charge for a 20-foot container has been raised from Tk 12,605 to Tk 13,605, while for a 40-foot container, it has been increased from Tk 14,557 to Tk 16,557.

Md Ruhul Amin Sikder, secretary general of the association, said that since operations started at the Patenga terminal in June, ICDs have been charging for these services based on the rates set for containers transported to and from Chattogram port.

Since the distance between the ICDs and the Patenga terminal is significantly greater than that between the ICDs and Chattogram port, transport costs and transit times have increased accordingly. To offset these higher expenses, the charges have been adjusted, Sikder said.

Falling SME sales shake economic backbone

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Loan disbursement data from Bangladesh Bank also reflects the financial struggles of small ventures.

Loan disbursement to small enterprises dropped by 16.05 percent year-on-year in the July-September period of fiscal year 2024-25, compared with a 1.89 percent increase in the same period of FY24, according to central bank data.

Meanwhile, the cost of financing for SMEs surged to 12.12 percent in December 2024 from just 6.17 percent in June 2023, further straining businesses.

UNEXPOSED TO LOANS, YET STRUGGLING

In contrast to Malo and Ullah, Rubina Akter Munni, owner of Design By Rubina, does not have any bank loans.

She manufactures leather goods such as travel bags and jackets.

She said online, corporate, and export orders have almost disappeared over the past three months.

"Consumers are probably not spending on luxury products," she added.

"Earlier, I received export orders from expatriates and local leather exporters, but they are delaying payments due to their own business downturns," she said.

With revenue sharply down, she is struggling to pay her 71 employees. "This tough situation affects not just me but many small entrepreneurs," she added.

Some businesses have already postponed orders. Although she finds relief in having no bank loans, running day-to-day operations is becoming increasingly difficult.

A SILVER LINING IN GOLDEN FIBRE

Ajit Kumar Das, owner of Creative Jute Textile in Narsingdi, has managed to sustain his business thanks to the steady demand for eco-friendly bags made of jute — dubbed the "golden fibre" of Bangladesh.

While other businesses struggle, his company supplies various shops in tourist areas, and some of his bags are indirectly exported abroad.

"Basic Bank has supported me financially, and even private banks have shown interest in providing loans. As long as I maintain quality and attractive designs, there will always be demand," Das said.

His company currently employs more than 100 workers and remains one of the few thriving SMEs.

SME FOUNDATION FOR LOAN DEFERMENT

M Masrur Reaz, chairman and CEO of Policy Exchange Bangladesh, cited the Purchasing Managers' Index (PMI), which signalled a downturn in the SME sector.

He identified three main challenges: high production costs driven by inflation, disruptions to raw material imports due to the US dollar crisis, and declining consumer demand as the cost of living rises.

Anwar Hossain Chowdhury, managing director of the SME Foundation, acknowledged these challenges and emphasised that SMEs often operate with limited capital, making them vulnerable.

The foundation has urged Bangladesh Bank to grant a three-month loan deferment for SMEs.

"We are also working to create collaboration among stakeholders through fairs and conferences," he said.

"Our goal is to ease access to bank loans by connecting the banking sector, corporates, and entrepreneurs, ensuring their progress."

Economic slowdown lowers container handling

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Rahman explained that container traffic could also fluctuate amid shifting market trends, geopolitical uncertainties and changes to import-export behaviour based on the peoples' seasonal needs.

As such, he assured that such downturns are temporary, and that upcoming infrastructure projects would enhance the port's handling capacity.

Regarding a recently approved project for enhancing the facilities at Mongla Port, Rahman said the plans include constructing new jetties and upgrading its ICT with the aim of attracting more foreign ships through improved efficiency.

More specifically, the Tk 4,046 crore project will enhance the port's container-handling capacity by establishing more modern facilities, which includes a new container terminal, container delivery yard, and container stockyard.

Regarding the decline in container handling in January, Rahman expressed optimism that the volume would recover in the coming months, when the trade activities stabilise.

Moreover, Rahman said the port authority is focusing on long term solutions to strengthen Mongla's position in the maritime trade sector.

And despite the recent decline, he remains hopeful that ongoing infrastructure projects, including those for improving road and rail links, will help Mongla port regain its momentum in coming months.

However, Rahman said much will depend on the global economic recovery and government initiatives to bolster trade and logistics efficiency.

Prices of garments shipped to US, EU see a decline

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The volume of work orders from international clothing retailers and brands is now increasing as major economies like the EU and the US rebound, Hassan said.

Bangladesh's lead time is high, and local manufacturers primarily produce low- and mid-price range garment items, for which retailers and brands pay lower prices, he noted. However, an increasing number of local manufacturers are now exporting high-end garment items that command higher prices.

"If the country can ensure better quality and timely delivery, buyers will be willing to pay more. Additionally, unhealthy price competition among local manufacturers is another factor

behind the low prices paid by buyers," Hassan said.

Mohiuddin Rubel, managing director of Bangladesh Apparel Exchange, said the competitiveness of local exporters remains lower than that of competing countries, which weakens their bargaining power.

In the July-February period of the current fiscal year, Bangladesh's garment exports grew by 10.64 percent to \$26.79 billion, according to data from the Export Promotion Bureau (EPB).

Of this amount, exports to the EU—accounting for 50.10 percent of Bangladesh's total RMG exports—were valued at \$13.42 billion.

Meanwhile, exports to the US reached \$5.06 billion, representing

18.91 percent of the total share. Canada's exports totalled \$845 million with a 3.16 percent market share, while the UK market accounted for \$2.93 billion, representing 10.94 percent.

The value of RMG exports to the EU grew by 11.53 percent year-over-year, while exports to the US saw a strong increase of 16.38 percent and Canada 14.12 percent. However, RMG exports to the UK exhibited a more modest growth rate of 3.74 percent, according to EPB data compiled by the BGMSEA.

Bangladesh's RMG sector also recorded 6.23 percent growth in non-traditional markets, reaching \$4.52 billion and accounting for 16.90 percent of total exports.

Should BSEC allow share buybacks by companies?

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When companies repurchase shares, supply in the market decreases, which in turn raises the value of the remaining shares.

This leads to an increase in earnings per share (EPS) even if the company's profit remains unchanged. If a firm experiences profit growth, its EPS rises at an even higher rate, improving its ability to pay dividends.

However, Bangladesh's existing regulations do not allow share buybacks. Currently, listed firms must seek High Court approval to reduce paid-up capital, which is a complex process.

Market analysts believe if the BSEC introduces buyback rules, listed companies would be able to repurchase their shares, benefiting investors more than individual directors' purchases.

"Share buybacks are a common practice in many countries and should be incorporated in Bangladesh," said Shahidul Islam, CEO of VIPB Asset Management.

"If a company believes its stock is attractive and has sufficient cash, it should be allowed to buy back shares."

Some concerns have been raised from time to time that buybacks could be used for market manipulation.

However, Islam argued this should not be a reason for prohibition, as manipulation can occur in various ways. A globally accepted system should not be banned due to such fears, he said.

If permitted, buybacks would give companies greater flexibility in managing cash flow and raising funds by offloading shares when needed, he added. "I don't see any reason for not allowing share buybacks."

Since 2020, Square Pharmaceuticals directors have collectively purchased 1.36 crore shares worth around Tk 280 crore.

The company has paid a total cash dividend of 422 percent over the last five years. However, its share price has remained largely unchanged, fluctuating between Tk 215 and Tk 217 during this period, according to Dhaka Stock Exchange data.

Similarly, directors of Apex Footwear purchased around 1 lakh shares in the last two years, yet its share price has been on a downward trend.

A similar pattern was observed with BSRM Ltd following its purchase announcement.

In India, share buybacks are regulated under the Companies Act, 2013, and the SEBI (Buy-Back of Securities) Regulations, 2018. These

laws outline maximum buyback limits, repurchase methods, and cooling-off periods before a company can initiate another buyback.

Prof Abu Ahmed, chairman of the Investment Corporation of Bangladesh, believes that allowing share buybacks would benefit the market.

"When a company has excess cash and no immediate expansion plans, it can buy back shares. This benefits general investors as EPS increases due to a reduced share count," he said.

However, buybacks should not be mandatory, he added.

"Many investors demand that companies with share prices below face value be required to buy back shares. But how would they do so without sufficient cash? The option should be available but not compulsory," said Ahmed.

Al-Amin, associate professor of Accounting and Information Systems at Dhaka University, also supports the introduction of buybacks.

"It is a common practice in developed markets. When a company realises that its growth has stalled and it has excess cash, it opts for a buyback," he said.

This provision should be introduced in Bangladesh as well, he added.

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