

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Revenue receipts up 21%

- The tax revenue collection recorded an impressive 21% growth in the fiscal year (FY) 2020-21 over that of the previous FY. Greater mobilization of corporate and withholding tax made the feat possible on the part of the National Board of Revenue (NBR), the NBR data show. However, the collection fell short of the target by BDT 411.18 billion, set for the last FY. The NBR collected BDT 2.61 trillion in tax revenue in FY 2020-21 against the revised target of BDT 3.01 trillion.

<https://today.thefinancialexpress.com.bd/public/first-page/revenue-receipts-up-21pc-1628960769>

Credit card use hits record high

- Spending through credit cards hit an all-time high in June thanks to the acceleration of digital payments on e-commerce platforms amid the ongoing coronavirus pandemic. Customers also spent more online ahead of Eid this year. Credit card transactions collectively stood at BDT 19.34 billion in June, up 13.25% from a month earlier and 115.46% year-on-year, data from the central bank showed. During the first three months after the Covid-19 outbreak in March 2020, credit card payments nosedived as spending on travel, tourism, and lifestyle products dropped. In the last fiscal year, credit card transactions totalled about BDT 184.50 billion, up 45.84%, year-on-year.
- In September last year, the central bank capped the interest rate on credit card loans at 20%, which came as a relief for clients as they would get rid of the burden of higher interest. Banks used to charge between 25 and 27% interest on credit card loans, way higher than the 9% interest rate ceiling applicable for all loan products in Bangladesh.

<https://www.thedailystar.net/business/economy/banks/news/credit-card-use-hits-record-high-2153251>

Agent banking going places

- Transactions through agent banking more than doubled to BDT 3.94 trillion in the last fiscal year as the new window has taken financial services to the doorsteps of people. The volume rose 106% in FY2020-21, data from the Bangladesh Bank showed, against BDT 1.91 trillion in the previous fiscal year.
- The central bank has awarded 28 agent banking licences since 2013. The aim is to provide a secure alternative delivery channel of banking services to the underprivileged, under-served population who live in remote locations that are beyond the reach of the traditional banking network. Twenty-four banks have rolled out the service as of September last year. The banks with a notable presence include Bank Asia, Islami Bank Bangladesh Ltd, Dutch-Bangla Bank Ltd, Brac Bank, City Bank, Mutual Trust Bank, Al-Arafah Islami Bank, Agrani Bank, NRB Commercial Bank, and Modhumoti Bank.

<https://www.thedailystar.net/business/economy/banks/news/agent-banking-going-places-2153246>

Banks' capital base weaker than regional peers

- The capital base of the banking industry in Bangladesh is much weaker than its peer countries in South Asia, which indicates their fragile financial health and poor brand image in the outside world. Banks maintained a capital adequacy ratio (CAR) of 11.60% last year, way less than 18.6% in Pakistan, 16.5% in Sri Lanka, and 15.8% in India.
- In the past, only state-run banks used to experience a lower capital position. But the problem has recently spread to private banks due to a lack of corporate governance and poor management. A former governor of the central bank blamed the high volume of defaulted loans for the lower CAR. The NPLs in the banking sector stood at BDT 950.85 billion as of March, up 7.1% from three months earlier and 2.8% year-on-year. Banks have to set aside a large amount of provisioning against the defaulted loans that ultimately hit the capital base.

<https://www.thedailystar.net/business/economy/banks/news/banks-capital-base-weaker-regional-peers-2153271>

Unrealized rescheduled loans threat to banks

- Unrealized rescheduled loans might create a challenging situation for the profitability and solvency of banks in the coming days, the Bangladesh Bank has warned. Although both default and rescheduled loans went down last year, the two types of stressed assets would become a cause for concern for the banking sector, said a BB official, who was engaged in preparing the report. Last year, the central bank relaxed rules on loan classification to offset the business slowdown derived from the coronavirus pandemic, helping lenders bring down both rescheduled and classified loans in tandem.

- Because of the same relaxed policy, the amount of loans rescheduled fell to at least a five-year low in 2020. Defaulters regularized NPLs amounting to BDT 133.70 billion, down 74.47% year-on-year. In 2019, the BB issued a relaxed policy on loan rescheduling and a one-time exit policy to address the long-standing bad debts, pushing the volume of the rescheduled loans higher.

<https://www.thedailystar.net/business/economy/banks/news/unrealised-rescheduled-loans-threat-banks-2152556>

MFS transactions off the charts

- Money transferred through growing mobile financial services (MFS) in Bangladesh rose 40.50% year-on-year to BDT 629.93 billion in June as people continue to rely on the digital platform amid the unabating coronavirus pandemic. Transactions totalled BDT 448.30 billion in the same month last year, data from Bangladesh Bank showed. The lockdowns, which put a curb on the movement of people and vehicles in the past four months, contributed to the growth in June, according to officials of several operators.

- Amid the growing popularity of mobile financial services, "tap" made a foray into the country's MFS segment on July 28. Trust Bank of Bangladesh has partnered with Axiata Digital Services of Malaysia to launch the Trust Axiata Pay, or "tap", under the joint venture Trust Axiata Digital Ltd. This took the number of MFS operators in the country to 17.

<https://www.thedailystar.net/business/economy/news/mfs-transactions-the-charts-2152546>

Banks show high profit, but it's not real

- Banks appear to have attained high profits even amid the pandemic-led crisis, but negative cash flow reflects a rainy day looming on the horizon for them as their profits exist only on paper with no real income. In the six months, 10 out of listed 30 banks suffered negative cash flow of BDT 49 billion.

- Bankers have attributed the negative cash flow mainly to payment deferral. Nevertheless, banks are recording interest income in their accounts despite not receiving payments. This accrual accounting method is helping banks show high profits, they add.

- The adoption of such an approach will have some negative impacts on banks. Firstly, banks are disbursing dividends by taking unrealised interest incomes into account, which will ultimately deteriorate their financial health in the future. Because it is uncertain whether banks will finally be able to realise those interest incomes. Secondly, negative cash flow has kept banks away from lending activities, a core business for them, resulting in a pile of excess liquidity with low private sector credit growth.

<https://www.tbsnews.net/economy/banking/banks-show-high-profit-its-not-real-288301>

Apparel makers worry as a Chinese port closes

- Bangladeshi apparel exporters worry that the partial closure of a port in China, which is used to import most of the raw materials and machines, may cause a supply chain disruption. Alternative ports to bring in imported fabrics and machinery may increase freight cost and shipping time, they say. The Chinese government decided to keep partially shut Ningbo-Zhoushan port, after a worker had come out Covid positive, threatening more damage to the already fragile supply chain as the Christmas shopping season nears.

<https://www.tbsnews.net/economy/apparel-makers-worry-chinese-port-closes-288307>

Investors allowed to avail of credit facilities as per existing margin ratio

- Investors will be allowed to avail credit facilities as per the existing margin ratio until the broad index of the premier bourse exists below 8000 points. The Bangladesh Securities and Exchange Commission (BSEC) has kept the existing highest margin loan ratio unchanged taking into account the ongoing pandemics situation.

- As a result, stock brokers will be allowed to disburse margin loan at a ratio of 1:0.8 meaning that an investor will get BDT 80 as margin loan against his/her investment worth BDT 100 until the DSEX, broad index of Dhaka Stock Exchange (DSE), exists below 8000 points. And the margin loan ratio will be 1:0.5 if the DSEX crosses 8001 or above.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/investors-allowed-to-avail-of-credit-facilities-as-per-existing-margin-ratio-1628953347>

<https://www.thedailystar.net/business/economy/stock/news/bsec-spurs-loans-despite-criticism-2152541>

Tax receipts from DSE jump 54% in July

- The government bagged revenue worth BDT 289 million in the first month of the FY 2021-22, which was BDT 188

million in the same month in the FY 2020-21, registering an increase of 54%. Market analysts said on the back of rising trading volume, the government earnings from the Dhaka bourse rose accordingly, as earning is related to turnover.

- The market turnover rose significantly as the buoyant investors have given boost to the capital market amid growing confidence riding on various regulatory reforms to bring discipline in the market, said a merchant banker. The daily turnover, the important gauge, jumped to 15.53 billion on average in July 2021, soaring 445% over the previous fiscal year's July of BDT 2.85 billion.

<https://today.thefinancialexpress.com.bd/stock-corporate/tax-receipts-from-dse-jump-54pc-in-july-1629042847>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$67.55	\$19.03	39.22%
Crude Oil (Brent)*	\$69.72	\$17.92	34.59%
Gold Spot*	\$1,780.75	(\$114.35)	-6.03%
DSEX	6,699.39	1,297.32	24.02%
S&P 500	4,468.00	711.93	18.95%
FTSE 100	7,218.71	758.19	11.74%
BSE SENSEX	55,437.29	7,685.96	16.10%
KSE-100	47,169.84	3,414.46	7.80%
CSEALL	7,996.04	1,221.82	18.04%

Exchange Rates

USD 1 = BDT 84.81*

GBP 1 = BDT 117.58*

EUR 1 = BDT 100.05*

INR 1 = BDT 1.14*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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