

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.

Farm credit target at BDT 262.9 billion

■ The central bank on Wednesday set a target of disbursing agriculture credit of BDT 262.9 billion for the banks in the current fiscal year (FY), 2020-21. The loan amount is 8.99% higher than the target of last FY, according to the agriculture and rural credit policy and programme for FY 2020-21, announced by the Bangladesh Bank (BB) on the day. Of the total target in FY 21, BDT 32.0 billion will be disbursed by six state-owned commercial banks, while two specialised development banks will provide BDT 78.5 billion to interested farmers. Besides, 39 private commercial banks, out of 41, will lend BDT 145.5 billion, while nine foreign commercial banks will disburse BDT 7.0 billion.

■ The BB has already announced a stimulus package amounting to BDT 50 billion for small and medium businesses and entrepreneurs in the farm sector. The affected bank clients can receive an additional 20% of their existing credit ceiling under the scheme. Under the scheme, the banks are allowed to borrow low-cost fund from the central bank at 1.0% interest and lend at 4.0%. On April 27, the central bank announced another policy, asking the banks to provide crop loans to farmers at 4.0% interest rate, while the BB will provide the rest 5.0% as interest subsidy. Meanwhile, the overall disbursement of farm loans by all the scheduled banks stood at BDT 227.5 billion in FY 20, which is 5.70% lower than the target of BDT 241.2 billion, the BB data showed.

https://today.thefinancialexpress.com.bd/first-page/farm-credit-target-at-BDT_-26292b-1595439907
https://www.newagebd.net/article/111849/banks-farm-loan-target-raised-to-BDT_-26292cr-for-fy21
<https://www.thedailystar.net/business/news/banks-just-not-getting-worked-farm-loans-1934877>

Bangladesh Bank (BB) relaxes loan classification, provisioning rules for cottage, micro, small and medium enterprise (CMSME) sector

■ Bangladesh Bank on Tuesday relaxed loan classification and provisioning rules for the [cottage, micro, small and medium enterprise \(CMSME\)](#) sector to encourage bank lending in the sector. The central bank circular, issued on the day, said that in the CMSME sector banks would now treat loans as substandard if no installments were paid from six months to 18 months, the latter of which was nine months previously. Non-payment of loan installments for a period of 18 months or beyond but less than 30 months will now be classified as doubtful, up from 12 months currently. Those which remain unpaid for a period of 30 months or beyond will now be treated as bad or loss.

■ As per the new directives, banks will also have to keep 0.25% provision for their regular loans in the CMSME sector; 5% provision for substandard loans; 20.0% provision for doubtful loans and 100% provision for bad and loss-classified loans. Currently, banks have to keep 0.50% to 5.0% provision against defaulted loans of regular category, 20% against substandard category, 50% against doubtful category, and 100% against bad or loss category.

■ As of June 30, banks had disbursed only BDT 2.5 billion in the sector out of the BDT 200.0 billion stimulus package, revealed the latest BB data. However, the central bank instructed banks to implement the stimulus funds by August this year.

<https://www.dhakatribune.com/business/2020/07/22/bb-relaxes-loan-classification-provisioning-rules-for-cmsme-sector>

Bangladesh Bank (BB) allows foreign firms to avail domestic loans

■ Bangladesh Bank has relaxed its policy for the foreign owned and controlled companies, which are operating in the country, allowing banks and non-bank financial institutions (NBFIs) to issue credit to the entities in local currency against foreign guarantees. For issuing credit to such entities, the guarantee that would be provided by the borrowers must be acceptable to the lending banks and NBFIs. No fees can be paid against the guarantee, the circular said. A high-level official of the central bank said the relaxation was introduced by the central bank to facilitate companies' easy access to loans against external guarantees. The facilities will be applicable till June 2021.

■ The circular also said in case of lending by NBFIs, the guarantees should be issued by local banks issued against back to back foreign guarantees. Foreign exchange regulations allow banks and NBFIs to extend loans in local currency taka to foreign owned or controlled companies. However, banks and NBFIs need permission from Bangladesh Bank to extend loans to borrowers against overseas guarantees or collateral regardless of ownership or controlling status of borrowing entities.

<https://www.dhakatribune.com/business/banks/2020/07/22/foreign-firms-to-get-easy-access-to-domestic-loans>

Government to use forex reserves to finance profitable projects

■ The government plans on taking out long-term credits from the foreign exchange reserves to finance profitable

projects. The debts will be repaid with the revenue generated from those projects after their completion. If the earnings fall short of making the loan repayment, the government will meet the deficit by allocating funds in the national budget. The Ministry of Finance has asked the Bangladesh Bank to prepare a guideline in this regard outlining ways in which the government can take out loans from the forex reserves. Officials at the finance ministry said loan support from foreign sources such as the World Bank, the Asian Development Bank, and China in large development projects in the public sector might shrink in the future because of the current Covid-19 situation. Therefore, initiatives must be taken to implement projects with the government's own fund.

■ While talking about repaying loans taken from the forex reserves with revenue generated from the projects concerned, a finance division official mentioned that loans taken out for the construction of the Bangabandhu Bridge on the Jamuna River have been repaid with the money earned as tolls. The government is now making a profit from the project, he said, adding that the same will happen with the Padma Bridge. He also mentioned that the government has undertaken an initiative to build a 10-kilometre bridge in Barishal and Bhola. Tolls will be collected on that bridge as well. Besides, there are scopes for the government to generate revenue from projects in various sectors including power and energy, and economic zones, the finance division official added.

<https://tbsnews.net/economy/govt-use-forex-reserves-finance-profitable-projects-110293>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 41.97	(USD 19.66)	-31.90%
Crude Oil (Brent)*	USD 44.36	(USD 24.08)	-35.18%
Gold Spot*	USD 1,868.52	USD 347.05	22.81%
DSEX	4,076.79	-376.14	-8.45%
S&P 500	3,276.02	45.24	1.40%
FTSE 100	6,207.10	-1379.95	-18.19%
BSE SENSEX	37,871.52	-3770.62	-9.05%
KSE-100	37,700.31	-3034.77	-7.45%
CSEALL	5,034.45	-1094.76	-17.86%

Exchange Rates

USD 1 = BDT 84.80*

GBP 1 = BDT 108.00*

EUR 1 = BDT 98.18*

INR 1 = BDT 1.14*

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

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