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Stimulus all set to unfurl

Govt agencies, banks nearly complete preparations to implement Tk 95,619cr packages to cushion blow from pandemic

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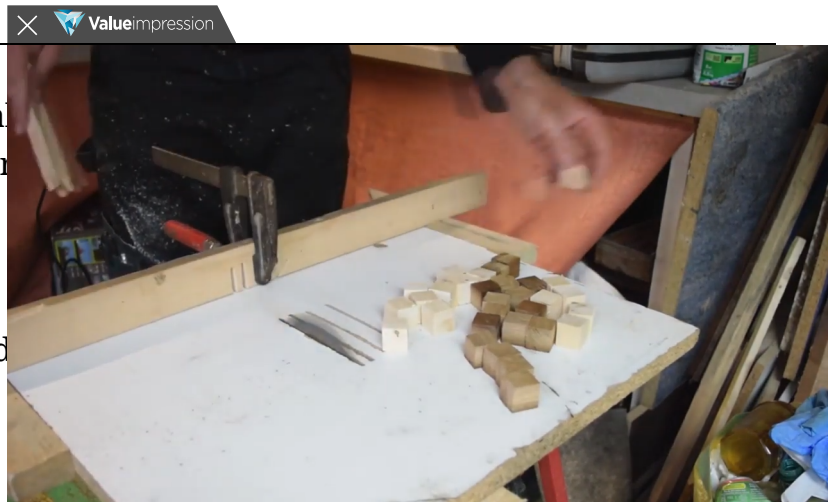
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Rejaul Karim Byron and AKM Zamir Uddin

Government agencies and banks have all but ready 18 stimulus packages worth Tk 95,619 crore to cushion the blow from the coronavirus pandemic.

The packages, equivalent to 3.3 percent of GDP, are under the supervision of Bangladesh Bank and



In line with the BB's instructions, banks will give out Tk 77,750 crore of the total amount in the form of soft loans to large, medium and small businesses in the industrial and service sectors, and growers and entrepreneurs in the farm sector.

The central bank has launched six refinance schemes to allow lenders to smoothly implement the credit programmes under the stimulus packages.

Under the six schemes, banks will disburse funds among the affected businesses and farmers, and then the BB will reimburse them the bulk of the money. The banks will have to pay the BB back after recovering money from borrowers.

The BB will provide around Tk 51,000 crore to the lenders under the refinance schemes. This means the lenders will have to give loans of Tk 26,750 crore from their own sources.

The Daily Star contacted a number of banks, which said they have almost completed the preparations to disburse loans under the schemes.

Since the enforcement of the nationwide shutdown on March 26, banks have been facing a cash crunch as many depositors withdrew money amid coronavirus scare. They now have to take the BB's funds to continue their lending activities, said the managing directors of the banks.

Every bank has to sign participation agreements with the BB to get funds under the schemes. Some cash-strapped lenders have already done it, they mentioned.

They also said the banks would start disbursing loans to export-oriented industries this week for paying workers' wages for April as the BB already gave the lenders Tk 2,000 crore from a Tk 5,000 crore stimulus package.

M Kamal Hossain, managing director of the Southeast Bank, said both the central bank and the finance ministry have taken prompt measures to implement the stimulus packages.

"We have already signed a participation agreement to get funds from one of the refinance schemes. The other agreements will be signed soon," he mentioned.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said banks may start using the soft funds from the central bank by this month as many of them have acted promptly and submitted applications to the BB.

Seeking anonymity, a BB official said 41 banks have so far signed participation agreements with the central bank under the refinance scheme worth Tk 5,000 crore for small and medium entrepreneurs in the farm sector.

"We hope banks will start giving loans within a week or two, as the central bank will disburse the required funds in the quickest possible time," added the official.

Banks will get funds under the scheme at 1 percent interest rate, and lend those to borrowers in the farm sector at 4 percent interest rate.

Under the Tk 30,000 crore package for large industries and the service sector, Sonali Bank, the country's biggest lender in terms of loan disbursement and deposit mobilisation, has already sanctioned loans of Tk 1,000 crore to Biman Bangladesh Airlines at 9 percent interest rate.

The state-run bank will get an interest subsidy of 4.50 percent from the BB for the loans.

Under 11 other stimulus packages, the government will provide Tk 17,866 crore in the form of budgetary support to the underprivileged people, farmers and the government employees infected with the coronavirus.

Farmers will be provided with fertilisers, machinery, fuel and electricity at subsidised prices under one of the packages involving Tk 9,500 crore.

The government will also give Tk 2,000 as cash support to each of the 50 lakh urban families hit hard by the nationwide shutdown.

Those engaged in the informal labour sector -- mostly manual labourers, mechanics, construction workers, rickshaw-pullers, street vendors and restaurant employees -- will be eligible for the cash support, said Shah Kamal, senior secretary at the disaster management and relief ministry.

"Our ministry has prepared a list of such people based on information collected by the offices of the deputy commissioners, upazila nirbahi officers and city corporations across the country. We will submit the list to the Prime Minister's Office on May 4."

The government also has a plan to provide food assistance to 1.25 crore families under various programmes, Kamal said.

The public employees, infected with the virus, will get Tk 5 to Tk 10 lakh based on their pay scales.

Experts say the BB has to be proactive in implementing the stimulus packages as the central bank of a country plays a pivotal role in containing the economic fallout during a recession.

Talking to The Daily Star, Ahsan H Mansur, executive director of the Policy Research Institute, said the BB will have to take prompt measures to implement the refinance schemes which will give a lifeline to the moribund economy.

The BB should share the credit risk and offer the lenders a loan guarantee scheme to encourage them to disburse loans, he said.

Otherwise, many banks will be reluctant to disburse loans out of fear that the loans will become defaulted given the poor economic outlook, Ahsan pointed out.

He further said the government should come up with a package ranging from Tk 25,000-Tk 30,000 crore to provide cash support to the marginal people. It will help boost their capacity to purchase goods.

"This will also help create demands for products and offset the ongoing deflationary trend at the same time."

Many countries such as the US, Chile, Malaysia and Singapore have already injected a large amount of the money into their economies, he added.

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Iftekhar Hassanmollah

What a joke:-

(1) The government will also give Tk 2,000 as cash support to each of the 50 lakh urban families hit hard by the nationwide shutdown.

This Taka 2,000 is peanut, it should have been a minimum of Taka 5,00 to Taka 10,000 per head based on family size. Lets treat these unfortunate poor people people or general labor of our society with respect and dignity. What Taka 2,000 will buy these families for a month? SHAME !

(2) The public employees, infected with the virus, will get Tk 5 to Tk 10 lakh based on their pay scales

Why only the the infected public employee should get government funds and whay not all infected person should get the moneyspecvially, if the infected person is the sole earner of main household head.

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