



## Islamic Banking in Bangladesh Expanding Horizons and Future Prospects

**Unlike conventional banking, the relationship between the bank and its clients is not that of a lender and borrower, but rather that of business partners. This is the key to the success of Islamic banking.**

AHSAN HABIB

Islamic banking has garnered people's attention with robust growth over the last decade as a large number of people in Bangladesh prefer the Shariah-based banking system for their financial transactions. The expansion of Islamic banks has led traditional banks and non-bank financial institutions to launch Shariah-based windows and branches.

Currently, Islamic banks represent a 25.81 percent share in terms of deposits and 29.20 percent in investments. In 2017, these figures stood at 23.13 percent and 23.81 percent respectively, according to data from the Bangladesh Bank.

Islamic banking possesses several advantages and potentials over conventional banks. However, it also faces certain challenges. When Islamic banking first emerged in Bangladesh, many people believed that the Shariah-based banking concept might not sustain. However, it is now expanding rapidly, with even non-Muslim individuals preferring Shariah-based banking. Zafar Alam, Managing

Director and CEO of Social Islami Bank, stated, "Shariah-based banking is best for its better system."

This banking system prioritizes people's well-being, whereas the compound interest rates on lending in traditional banks create significant pressure on entrepreneurs. Additionally, the profit-based participatory policy of Islamic banks attracts businesspeople to obtain financing.

A major challenge is the absence of separate rules for Islamic banking. With the rapid growth of specialized banking, there should be separate regulations for them, remarked Alam.

Though Bangladesh Bank is eager to establish separate legislation, there has been no progress yet. Therefore, it should be given priority, added the top official of SIBL.

Mohammed Monirul Moula, Managing Director and CEO of Islami Bank Bangladesh, stated that the Shariah-based banking system has been expanding at a higher rate. This expansion is not solely driven by religious emotions and significance; rather, it

is supported by unique features and mechanisms.

Its economic beauty lies in its need-based and welfare-oriented financial solutions. This banking system promotes socially desirable enterprises while discouraging socially undesirable ones, making business within the banking sector sustainable.

One of its advantages is its asset-based and asset-backed sustainable financing mechanism, which works to promote the green economy. Islamic banking aims to maximize welfare and motivate stakeholders to contribute their best for the well-being of themselves and society, thus reducing discrimination and poverty.

Moreover, the majority of people in our country prefer welfare-oriented Shariah-based banking, which accelerates its expansion, Moula said.

Unlike conventional banking, the relationship between the bank and its clients is not that of a lender and borrower, but rather that of business partners. This is the key to the success of Islamic banking and an advantage of the banking system, he added.

At present, nine banks have full-fledged Shariah-based operations, and eleven banks have opened Shariah-based branches. Additionally, 14 conventional banks offer Islamic banking windows, according to the central bank's latest quarterly report on Islamic banking.

In 2017, there were seven full-fledged Islamic banks and nine banks with Shariah-based branches. Only eight banks had Islamic banking windows.

ABM Burhan Uddin, Head of Islamic Banking at Bank Asia, stated that Islamic banking conducts business in a fair and transparent manner.

It restricts goods and services that are prohibited in Islam, such as alcoholic beverages, alcohol, tobacco, gambling, pornography, etc., which is an advantage of this banking system.

He further mentioned that a challenge remains in realizing investment dues from clients affected by COVID-19 and the Russia-Ukraine war.

Surplus Fund Management is one of the major challenges for Islamic Banks since there is no Islamic money market and Islamic instruments, he said, adding that the lack of skilled manpower is also a challenge for specialized banking.

Uddin recommends establishing an inter-bank money market for Islamic banks and launching more Islamic instruments from the government, such as Sukuk.

There are 35 NBFIs in the country. Among them, Islamic Finance and Investment, Hajj Finance, and Aviva Finance have full-fledged Shariah-based operations. IDLC Finance, DBH Finance, Strategic Finance & Investments, and some other NBFIs have already received approval to launch Islamic windows.

"People are increasingly interested in Islamic banking, especially family-run corporates who are seeking the service to keep their funds," said Mohammad Abdul Hannan, Head of the Islamic Finance Project at IDLC Finance.

IDLC Finance obtained approval to launch a Shariah-based window from the central bank last month. "We don't want to miss out on clients." A major advantage of this banking system is that there is no provision for an interest rate on deposits. Instead, the profit (interest) varies in alignment with the income from investments (lending). Therefore, the pressure of paying profit (interest) on deposits is not felt in Islamic financial institutions.

Since investments in Islamic FIs are deal-based and vary in different situations, the spread remains the same, while in conventional banks, the spread may deviate due to the concept of a provisional interest rate.

It was recently observed that while the deposit rates rose sharply in traditional

banks, the interest rates on lending did not, he said.

Regarding the challenges of Islamic banking, he mentioned that Shariah-based banking incurs some extra costs that do not apply to conventional banks. He cited an example of the insurance cost of an asset in which banks/NBFIs invest.

Another example is that traditional banks can impose a 1 percent processing fee on loans, whereas Shariah-based FIs can only impose an exact processing cost ranging from 0.40 percent to a maximum of 0.50 percent, added Hannan.

The Islamic financing system appears increasingly attractive and profitable compared to conventional banks, as the former enjoys the opportunity to maintain a lower statutory liquidity ratio (SLR) and a higher investment deposit ratio (IDR).

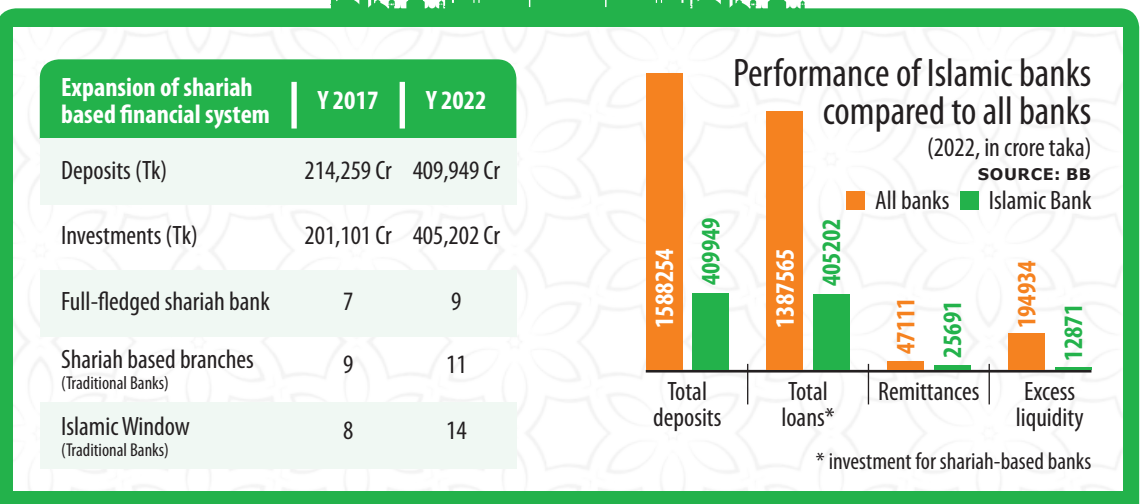
Traditional banks are required to maintain a 13 percent SLR, which is defined as the ratio of a bank's liquid assets to its net demand and time liabilities. In contrast, Islamic banks have a 5.5 percent SLR.

Similarly, the loan-deposit ratio for conventional banks is 87 percent, while the IDR is 90 percent for Islamic banks.

According to S&P Global Ratings in 2021, the \$2.2 trillion global Islamic finance industry was expected to grow by 10 percent to 12 percent over 2021-2022 due to increased Islamic bond issuance and a modest economic recovery in the main Islamic finance markets.

The central bank's report on Shariah-based banks stated that other sectors of the Islamic financial industry, such as the Islamic capital market, Islamic insurance (Takaful), and the microfinance sector, can also flourish systematically if supportive policies are adopted and implemented.

Despite the growth of Islamic banking activities in Bangladesh, the number of rural branches of full-fledged Islamic banks has not kept pace with demand.



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# The Journey of Islamic Banking in Bangladesh

**Islamic banking has generated employment opportunities for approximately 1.20 crore people.**

MD ASADUZ ZAMAN

The journey of Islamic banking began with the goal of conducting banking business in Muslim countries around the world in accordance with Islamic Shariah.

The initial effort to establish an Islamic financial institution took place in Pakistan in the late 1950s with the establishment of a local Islamic bank in a rural area. However, the initiative did not yield fruitful results.

Later, the second experiment with Islamic banking was conducted in Egypt between 1963 and 1967 through the establishment of the Mit Ghamr Savings Bank in a rural area of the Nile Delta. The bank's operations were based on the Islamic principles of not charging interest to depositors or borrowers.

Subsequently, Al-Rajhi Banking Investment Corporation started its

operations in 1985 and established active relationships with major manufacturing and trading companies in Europe, as well as several US corporations.

The success of Al-Rajhi in operating profitably in various parts of the world motivated the Saudi government to fully embrace Islamic banking.

In 1975, the Muslim countries founded the Islamic Development Bank (IDB) as a multinational corporation to support social and economic development in Muslim nations within an Islamic framework, and Bangladesh became member of the organization.

The establishment of the IDB facilitated the journey of Islamic banking in the Bangladesh. Several local individuals, as well as the Islamic Development Bank (IDB) and various financial institutions, began extending their cooperation to establish Islamic banks in the country.

As part of the journey, the launch of the Islamic bank in Bangladesh began in 1983 with the establishment of Islami Bank Bangladesh Limited (IBBL).

Along the path of success of the country's first Islamic bank, several other Islamic banks were established in subsequent years. Al Baraka Bank was established in 1987, Al-Arafah Islami Bank in 1995, and the Social Investment Bank (Currently known as Social Islami Bank Limited) was also established in the same year.

As the fifth Islamic bank in the country, Shahjalal Islami Bank Limited emerged as a scheduled bank in 2001.

Meanwhile, two traditional banks, Export-Import Bank Limited and the First Security Bank, have transformed into complete Islamic Shari'ah Banks. Exim Bank commenced banking operations in 1996 and started its new journey as an Islamic bank in July 2004,

while First Security Bank made the transition in January 2009.

Subsequently, the Shari'ah-based 'Union Bank' was established in 2013, and Standard Bank Limited and Global Islami Bank Limited underwent transformations to become Shari'ah-compliant banks.

Currently, a total of 10 full-fledged Islamic banks are operating in Bangladesh, with 1,659 branches, while the entire banking system had a total of 11,153 branches as of December 2022, according to the Bangladesh Bank.

Additionally, 23 Islamic banking branches of 11 conventional commercial banks and 535 Islamic banking windows of 13 conventional commercial banks are also providing Islamic financial services in Bangladesh.

The total employment in the Islamic banks stood at 49,851 as of December 2022.

**Contribution to the economy**

"Islamic finance has emerged as an effective tool for financing economic activities worldwide. Islamic banks in Bangladesh have made a significant contribution to the country's economy," said Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management (BIBM).

He further added, "Now, Islamic banking is a well-established component of the banking industry, accounting for approximately one-third of the total market share."

Professor Habib emphasized that Islamic financial institutions are playing a crucial role in supporting agricultural finance, contributing to improved food security, promoting financial sector development, and enhancing financial inclusion.

When contacted, Mohammed Monirul Moula, the managing director of IBBL, said that the Shari'ah-based banking system has been comprehensively contributing to ensuring general well-being, equity, and justice. It aims to promote better provisioning and reduce the gap between the rich and the poor.

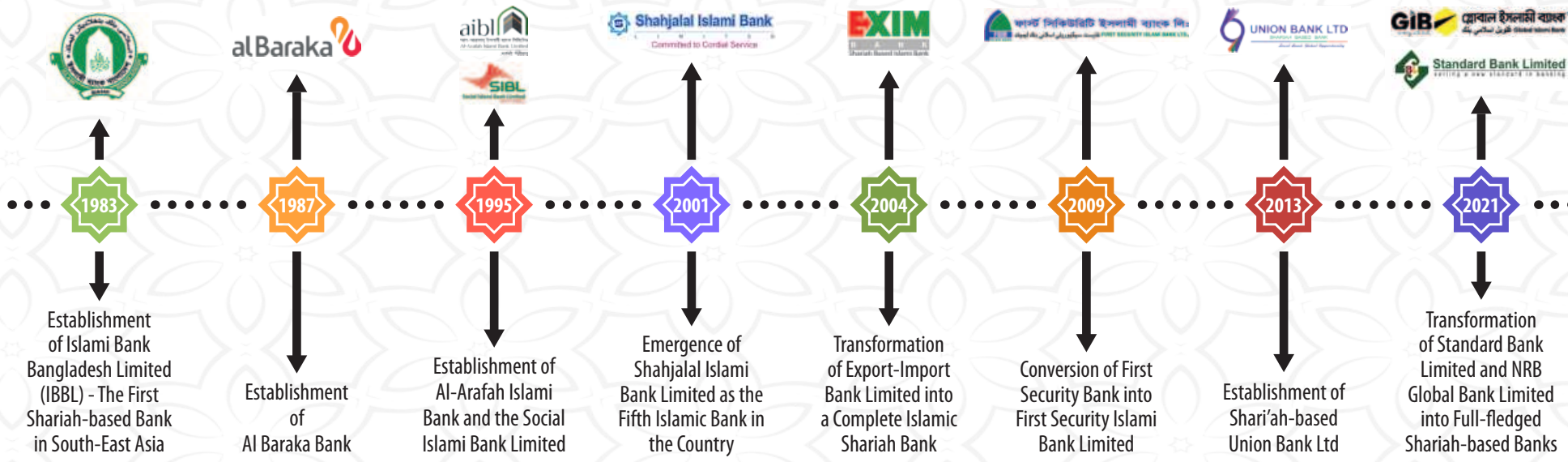
"During the 40 years' journey of Islamic Banking in Bangladesh, it has achieved a galloping market share," he said.

Moula further stated that the market share of Shari'ah-based banking is as follows: 26 percent in deposits, 26 percent in imports, 24 percent in exports, 39 percent in remittances, 27 percent in industrial finance, 17 percent in agriculture investment, and 38 percent in CMSME (Cottage, Micro, Small, and Medium Enterprises) investment.

Islamic banking has generated employment opportunities for approximately 1.20 crore people. IBBL alone has contributed \$12 billion to the country's reserves since its inception, he added.

Moula also mentioned that Shari'ah-based banking holds a 50 percent market share of Corporate Social Responsibility (CSR) in the banking sector, with IBBL alone contributing around 29 percent.

## 40 YEARS OF ISLAMIC BANKING IN BANGLADESH KEY EVENTS



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# SHAPING THE FUTURE OF ISLAMIC BANKING IN BANGLADESH: INSIGHTS FROM BANKING LEADERS

**Syed Waseque Md. Ali**  
Managing Director,  
First Security Islami Bank Ltd.



In the pursuit of providing modern technology and Islamic Shariah-based banking services to the masses in Bangladesh, First Security Islami Bank Ltd. offers a range of deposit accounts and schemes tailored to meet the needs of people from various walks of life. These include Al Wadiyah current account, Mudaraba savings account, Ankur and Alo for school-going students, Projonmo and Uddipon for college and university students, Mehonoti for working people, Shadesh for expatriates, Mahiyasi for women, Grihini for housewives, and deposit schemes Murobbi and Probin for senior citizens.

Although the Islamic banking industry in Bangladesh has achieved over 20% annual growth, there is still immense potential for further business expansion. Bangladesh, being a Muslim-majority country with a vibrant economy experiencing 6% real economic growth over the last decade, provides favorable conditions for the industry to thrive.

Incorporating the benefits of Islamic banking into our national educational curriculum can ensure its expansion to future generations. The concept of Islamic banking can also be promoted through financial inclusion initiatives set by the government and Bangladesh Bank.

**Mosleh Uddin Ahmed**  
Managing Director & CEO,  
Shahjalal Islami Bank Ltd.



Shahjalal Islami Bank Limited (SJIBL) offers a range of deposit and investment products based on various Shariah principles and mechanisms such as Mudarabah, Musharakah, Murabahah, Bai Muajjal, Ijarah, HPSM, and Bai-Salam.

Due to the absence of an Islamic money market in Bangladesh, Islamic banks face challenges in investing their surplus funds to generate income since government treasury bills, approved securities, and Bangladesh Bank Bills in the country are interest-bearing.

The establishment of a regulatory authority with a robust legal framework is necessary, including separate laws for Islamic banks, appropriate licensing requirements, prudential regulations, minimum capital and liquidity standards, and methods for risk-weighted asset classifications.

Islamic banks in Bangladesh also face the issue of organizing their relationships with foreign banks and conducting international operations, which requires creating financial instruments that are consistent with Islamic principles and acceptable to interest-based banks, including foreign banks.

**Md. Habibur Rahman**  
Managing Director & CEO,  
Standard Bank Ltd.



Islamic banking activities have made significant progress in Bangladesh over the past few decades. However, there are still obstacles that hinder its growth and wider acceptance. Many people in Bangladesh lack awareness of the principles and benefits of Islamic banking. Extensive awareness campaigns and educational programs are needed to help individuals understand the concepts and advantages of Islamic banking.

The limited diversity in Islamic banking products poses challenges in attracting a broader customer base, especially those seeking specialized financial solutions. To address this, a comprehensive regulatory framework is essential to build trust and confidence among customers and investors.

Developing specialized training programs and attracting skilled professionals to work in Islamic banking institutions are crucial in overcoming these challenges. Islamic banks should seamlessly integrate with the existing conventional banking infrastructure to offer seamless services to customers. Ensuring interoperability and compatibility between Islamic and conventional banking systems is vital for effective promotion of Islamic banking in Bangladesh.

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# SHAPING THE FUTURE OF ISLAMIC BANKING IN BANGLADESH: INSIGHTS FROM BANKING LEADERS

**Adil Chowdhury**  
President & Managing Director  
Bank Asia Ltd.



Bank Asia holds a significant position in the history of Islamic banking in Bangladesh for introducing a simple and appropriate Shariah-compliant profit-sharing module called the Income Sharing Ratio (ISR) to accurately calculate the profit rate each month. Our Islamic banking division ensures the highest level of Shariah compliance in all banking activities.

One of the major challenges faced by Islamic banking is the management of surplus funds, as there is no Islamic money market and limited number of Islamic instruments. The adverse economic conditions resulting from the impact of COVID-19 and the Ukraine war pose challenges in timely realization of investment dues. Adjusting deposit rates in line with increasing inflation rates is another challenge, as deposit rates are determined based on income/earnings.

To address these issues, the central bank should address concerns such as establishing an inter-bank money market for Islamic banks to facilitate the smooth management of surplus funds. Besides, the government should introduce more Islamic instruments like Sukuk Bonds to create alternative investment opportunities for the banks particularly Shariah based.

**Mohammad Feroz Hossain**  
Managing Director & CEO,  
Exim Bank Ltd.



Nowadays, Islamic banks offer a wide range of banking services that encompass various aspects such as deferred payment-based foreign trade, overnight call money services, wholesale subordinated bonds, and retail credit cards. These services are provided through Islamic modes that are primarily based on principles of buy-sale (bai), partnership (shirkah), renting (ijarah), and agency (wakalah).

The main challenges faced by Islamic banking in Bangladesh include the need for education among customers and bankers about this particular banking system. The government can play a crucial role in addressing these challenges by initiating or sponsoring comprehensive research projects and publications. Such efforts can help disseminate accurate knowledge and enhance confidence among people regarding Islamic banking as a holistic alternative to interest-based conventional banking.

It is important to recognize that Islamic banking contributes significantly, and in some cases exclusively, to the government's inclusive banking campaign by bringing unbanked individuals into the banking sector. Currently, Islamic banking commands approximately one-fourth of the total bank deposits in the country.

**Syed Habib Hasnat**  
Managing Director,  
Global Islami Bank



Global Islami Bank boasts a strong Shariah Board consisting of renowned Islamic scholars from the country. Firstly, we ensure that we explain the principles and concepts of Islamic banking to our customers, including profit-sharing (Mudarabah), cost-plus financing (Murabaha), and asset-based financing (Ijarah). We emphasize the significance of Shariah compliance in all our Islamic banking practices. Additionally, we have developed educational resources such as articles and FAQs to educate potential customers about the principles of Islamic banking and the benefits they can derive from our bank's services.

The government can play a supportive role in promoting Islamic banking by enacting laws that facilitate the establishment and operation of Islamic financial institutions. We anticipate legal frameworks that address Islamic contracts and financial transactions, taxation policies that treat Islamic financial products fairly, and mechanisms for resolving disputes specific to Islamic banking. We also encourage the government to foster collaboration between Islamic banks and conventional financial institutions, both domestically and internationally. Such partnerships, joint ventures, and cross-border cooperation can enhance the accessibility and availability of Islamic banking services.

**Mohammed Monirul Moula**  
Managing Director & CEO,  
Islami Bank Bangladesh Ltd



Islami Bank Bangladesh Limited offers Shariah-based financial solutions to promote Islamic banking. We engage in real asset-based and real asset-backed investments, following a need-based approach to maximize welfare. We have also introduced a collateral-free microfinance program for marginalized individuals, which has now become the world's largest Islamic microfinance operation.

The major challenges faced by Islamic banking include a lack of skilled manpower in the field, the absence of a well-established research and development framework in the country, and a lack of Islamic banking literacy in society. Currently, Islamic banking in the country is governed by a 2009 guideline from the Central Bank, which is not aligned with the latest developments. Ensuring uniformity in Islamic banking practices is also necessary.

It is high time to enact a separate law for Islamic banking, considering the significant demand in the market. To meet this demand effectively, the Islamic banking curriculum should be incorporated at the university level. Practical aspects of Islamic banking should be emphasized alongside the theoretical framework.

**Farman R Chowdhury**  
Managing director & CEO,  
Al-Arafah Islami Bank Limited



Sharing of profit and loss and prohibition of collecting interest have been the two major pillars of the whole Islamic banking system. Presence of some 500 plus Shariah-based financial institutions in 76 countries not only justifies the above statement but also bears testimony to the fact that it is gaining popularity among the non-Muslim countries as well. Ever since the inception of the first Islamic bank in the 80s, Bangladesh has never looked back. Today, there exist as many as 10 full-fledged Islamic Banks in the country. Moreover, there are Islamic banking windows in almost all the banks. Despite all the growths, I think there are numerous challenges too. The shortage of skilled manpower with a deep understanding of Islamic tenets is the most significant of all. In spite of all the bottlenecks, I still believe Islamic Banking System is poised to play an increasingly important role in our economy and the world economy as a whole.



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## ROSA-2nd KBL Expo 2023 ends in Dhaka

STAR BUSINESS DESK

A "ROSA-2nd KBL Expo 2023", also known as ROSA Kitchen, Bath & Living Expo 2023, ended at the International Convention City Bashundhara in Dhaka yesterday.

More than 70 kitchen, bath, and living brands from home and abroad took part in the three-day event organised by the bathware and sanitaryware brand ROSA, a concern of Akij Bashir Group.

Nurul Majid Mahmud Humayun, minister for industries, inaugurated the expo in the capital on Wednesday.

Akij Bashir Group set up a pavilion, where they showcased the artistically futuristic sanitaryware and bathware products of ROSA, said a press release.

Besides ROSA, the latest products from Akij Board, Akij Ceramics, Akij Door and Akij Tableware also showcased their products in the pavilion.

"We are happy to participate in the 'ROSA-2nd KBL Expo 2023' as the title sponsor," said Mohammad Khorshed Alam, director operations of Akij Bashir Group.

"This time we are coming up in KBL Expo with some stunning bathware and panel board solutions, which will satisfy consumers' desire of building a dream home," he added.

## China's cenbank upbeat on Q2 GDP growth

REUTERS, Beijing

China's economic growth is expected to be "relatively high" in the second quarter compared to the prior year, mainly due to a low base of comparison, while consumer inflation is projected to be above 1 per cent by December, the central bank governor said.

As rising interests' rates and inflation squeeze demand in the United States and Europe, China's core CPI has been soft and factory gate prices fell sharply in May, suggesting the world's second-largest economy is losing steam.

Some analysts have predicted the central bank may begin to cut key rates as soon as next week after a flurry of weak data highlighted the fragility of China's economic rebound.

At present, China's economy is recovering from the impact of Covid-19, and the balance sheets of its companies are being repaired, the People's Bank of China (PBOC) said in a statement on Friday, citing Governor Yi Gang during his trip to Shanghai on Wednesday.

# JCI Smart Expo showcases cutting-edge tech for Smart Bangladesh

STAR BUSINESS REPORT

Leading technology companies gathered for JCI smart Expo at the International Convention City Bashundhara in Dhaka yesterday as a high number of youths participate to foster the spirit of innovation to make Bangladesh a smart nation.

Over 50 companies showcased futuristic services and highlighted ground-breaking technologies.

The expo is running on the sidelines of the two-day "Smart Bangladesh Summit".

JCI Bangladesh is organising the expo in association with a2i (Aspire to Innovate) of the ICT Division.

The summit and expo ended yesterday.

The expo brought together a vibrant blend of established industry giants, burgeoning startups, and enthusiastic

young minds

The technology companies demonstrate their latest advancements in various sectors, including artificial intelligence, robotics, virtual reality, 5G, etc.

At a stall, students from the Islamic University of Technology (IUT) showcased their inventions. They presented their Mars rover robots.

A student involved in the project said they have successfully built two Mars rovers since 2015.

In addition to their rover creations, the team is currently engaged in developing another innovation, which they plan to unveil in the near future.

They expressed their desire to become partners of Smart Bangladesh and their aim was to attract potential investors, and they believed that participating in such

expos provided an excellent platform to achieve this goal.

Fintech company Amar Pay showed its cashless solutions and Grameenphone organised a Book Fair on App and exhibited the 5G technology.

The vehicle speed monitoring technology, surveillance robot cameras were also exhibited in the fair.

The global technology company Huawei has shown various solutions for Smart Bangladesh. Walton showcases the IoT fridge.

A total of six special sessions took place at the summit, where experts and speakers from the country and beyond were present.

The invited guests and panelists highlighted possible aspects of "Smart Bangladesh" through the exchange of their experiences, knowledge and opinions.



Industries Minister Nurul Majid Mahmud Humayun cuts a ribbon to inaugurate a "ROSA Kitchen, Bath & Living Expo 2023" at International Convention City Bashundhara in Dhaka last week. Among others, Mohammad Khorshed Alam, director for operations of Akij Bashir Group, was present.

PHOTO: AKIJ BASHIR GROUP



Mohammed Saiful Alam, chairman of S Alam Group, hands over a cheque worth of Tk 50 lakh to the Union Bank Football Team for winning "Sheikh Hasina Interbank Football Tournament 2023" at Agrabad in Chattogram yesterday. Ahsanul Alam, chairman of Union Bank, and ABM Mokammel Hoque Chowdhury, managing director, along with coach, manager and players of the winning team were present.

PHOTO: UNION BANK

## bKash launches Eid campaign

STAR BUSINESS REPORT

Mobile financial service provider bKash has launched a campaign under which 21 Bangladeshi football fans will get the chance to fly to Argentina and watch live matches of Lionel Messi and his team by making payment through bKash.

bKash has taken the initiative in partnership with the Argentina Football Association, bKash said in a press release.

bKash customers can grab this opportunity by making maximum payment during Eid shopping from June 8 to June 28, 2023, it said.

Their air tickets and hotel accommodation will be provided by bKash as well.

Details, including match date, opponent and venue, will be communicated to the winners later, bKash said. At present, more than 550,000 small and big merchants across the country are receiving bKash payment seamlessly.

A customer can avail the opportunity once during the campaign, according to bKash.

Apart from that, customers will also get cash back every hour during this Eid campaign. The highest payment making customer in every hour from 10am to 11.59pm will get Tk 1,000 cash back during the campaign.

## Sri Lanka lifts import limits on 286 items as crisis eases

REUTERS, Colombo

Sri Lanka lifted import restrictions on 286 items, the Finance Ministry said on Saturday, a fresh sign the South Asian nation is starting to emerge from its worst economic crisis in decades.

The island off India's southern coast plunged into crisis last year as its foreign exchange reserves ran out. The government limited imports on more than 3,200 items, including seafood, electronics, and even musical instruments.

Its fortunes have improved over the past nine months as Sri Lanka secured a \$2.9 billion bailout from the International Monetary Fund (IMF), moderated its once-soaring inflation and embarked on rebuilding its foreign exchange reserves.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUN 10, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	-0.74 ↓
Coarse rice (kg)	Tk 48-Tk 50	2.08 ↑	-2 ↓
Loose flour (kg)	Tk 52-Tk 55	-6.96 ↓	22.29 ↑
Lentil (kg)	Tk 90-Tk 100	0	-11.63 ↓
Soybean (litre)	Tk 175-Tk 185	0	-2.17 ↓
Potato (kg)	Tk 36-Tk 40	1.33 ↑	61.7 ↑
Onion (kg)	Tk 70-Tk 75	16 ↑	93.33 ↑
Egg (4 pcs)	Tk 44-Tk 48	-3.16 ↓	8.24 ↑

SOURCE: TCB

## Firms enjoying tax

FROM PAGE B1

If the common person or persons, couples or descendants have investments, control or presence in the management of both companies, the firms will be treated as related enterprises, according to the bill.

An entity will be considered as a related firm of the tax break recipient if any of the two has more than 25 per cent of voting power in another enterprise, directly or indirectly.

Similarly, if a person, couple or descendant holds more than 25 per cent stake in both companies, the firms will be treated as associated enterprises, according to the Income Tax Bill 2023.

Firms will be considered as related

enterprises too if they belong to the same group or group of companies.

At present, the government offers tax breaks for 33 types of industrial products such as active pharmaceutical ingredients and radio pharmaceuticals, automobiles and automobile part-making and computer hardware electronics, with the aim of facilitating investments in these areas.

There are allegations that tax-exempt entities show higher profits than their associated enterprises with the intention to evade taxes.

Snehshish Barua, a partner at Snehshish Mahmud & Co, said: "It is known to many of us that exempted entities show much higher profit

than a related non-exempted entity within a group of companies. These exempted companies gradually become loss-making when the exemption is lifted or their income reduces while tax rate gradually increases."

The new provision will allow the tax authority to identify tax leakages through internal transfer pricing, he said.

However, Barua said, the discretionary power of an assessing officer might increase as the transaction price will have to be determined on fair value.

"This is because fair valuation is subjective and a complex process which requires a lot of judgement."

## EU to try again

FROM PAGE B4

The EU law is designed to drive a rapid expansion of renewable energy sources like wind and solar. The deal negotiated this year offered some compromises, including lower renewable fuel targets for industry, in countries that have already used nuclear power to slash their use of fossil fuels.

Paris had said the rules still excluded low-carbon hydrogen produced from nuclear electricity. In its hunt for a deal, the EU has considered options such as providing a declaration, accompanying the final law, that acknowledges the challenge this poses for some countries, diplomatic sources said.

That would avoid reopening the deal on the law agreed by EU countries and lawmakers earlier this year - a scenario the European Commission and some other countries want to avoid.

France's energy ministry did not immediately respond to a request for comment.

French Finance Minister Bruno Le Maire said on Thursday France will not give up the competitive advantages linked to nuclear power, noting that EU countries have the right to choose their own energy mix.

## Nearly 50% policy-holders

FROM PAGE B1

suit the requirements of the customer or he or she may not have the strong financial capacity to continue it.

In addition, agents receive a higher percentage of commission on the premiums in the first year, so they are more interested in selling as many products as they can, said Bari, adding that there is a lack of awareness among customers about the benefit of insurance as well.

"So, for various reasons, many policy-holders don't continue the policy after the first year," he told The Daily Star in an interview recently.

About 70 per cent of policies are not being renewed at some companies in the second year.

"So, we have decided to revise the commission rate," he said.

For example, agents usually get about 30 per cent commissions on the premiums in the first year, 10 per cent in the second year and 5 per cent in each of the subsequent years before a policy becomes mature, according to two officials of two insurance companies.

Bari described the discontinuation of policies after the first year as disappointing. "Insurance companies are being warned about this."

Despite being set up about 12 years ago, the Idra has not been able to elevate its capacity to the expected level.

"Maybe it is our failure," Bari said.

He said investment decisions of about 10 life insurers could prove wrong. "I think these companies will be in crisis in the next two to four years."

"So far, board members of seven companies have been called. After knowing their latest situation, directives have been given to them to address their challenges," he said, adding that the companies have been asked to submit a strategy paper for three to five years.

There was a time when the Idra did not have the capacity to monitor the governance in the insurance sector. Now the situation has changed.

Companies are currently being closely monitored and there is no chance of getting away with committing irregularities, he said.

"A company has stopped selling new policies recently. If necessary, the company's licence will be cancelled."

Bari joined the Idra as its chairman on June 15, 2022.

"Since then, I have been able to identify major problems facing the sector."

The regulator has drawn up a roadmap to address them and the implementation has already begun.

Lack of corporate governance is one of the challenges confronting insurance companies, he said.

He said insurance companies have not been able to raise awareness about the benefits of insurance among the

general public.

The chairman also said there are some weaknesses in laws and regulations.

Various steps have been taken to increase the efficiency and effectiveness of the officials of the Idra.

A proposal has been sent to the Financial Institutions Division of the finance ministry to raise the number of employees at the Idra.

Currently, 99 officials and staff are employed at the Idra against posts of 155. These officials are tasked with regulating 35 life insurance and 46 non-life insurance companies.

Bari also said digitalisation has not taken place in the insurance sector.

"If insurance products are marketed digitally and transparency is maintained, the public's perception of insurance will improve."

In Bangladesh, insurance penetration is one of the lowest in the world.

The Idra and the Bangladesh Bank have prepared policies to introduce the Bancassurance system, an arrangement between a bank and an insurance company through which the latter sells products to the customers of the former.

"We will be able to introduce the bancassurance system soon. I strongly believe that it will create a new dimension in insurance marketing," Bari said.

## The end of US dollar

FROM PAGE B4

The US dollar has been dominant since the early 20th Century when it overtook the pound sterling as the global reserve currency, though JPMorgan said this month that signs of de-dollarisation are unfolding in the global economy.

China's spectacular economic rise over the past 40 years, the fallout from the war in Ukraine and wrangling over the US debt ceiling have put the dollar's status under fresh scrutiny.

VTB, Kostin said, was discussing using yuan in settlements with third countries.

A former diplomat who served in Australia and Britain and went into banking just after the Soviet Union collapsed, Kostin is one of Moscow's most powerful and experienced bankers, having served previously as head of Vneshekbank, known now as VEB.

After President Vladimir Putin sent troops into Ukraine in February last year, the West unfurled what it said were the toughest sanctions ever imposed in an attempt to weaken the Russian economy and punish Putin for the war.

Kostin was sanctioned by the

Russia's economy, he said, would not be broken by the West. The International Monetary Fund in April raised its 2023 Russian GDP forecast to growth of 0.7 per cent from 0.3 per cent, but lowered its 2024 forecast to 1.3 per cent from 2.1 per cent.

## Brac Bank plans to double

FROM PAGE B4

The bank now has 40 sub-branches.

It is important to set up such physical infrastructures in villages as the people in rural areas are not used to digital banking, he said.

He also touched upon some pressing issues in the banking sector.

The recent downgrading of the sovereign credit rating of Bangladesh will create difficulties for banks to do their business, according to Hussain.

US-based global credit rating agency Moody's Investors Service recently downgraded Bangladesh's

sovereign rating by one notch to B1 from Ba3.

This is the first time the country's rating has been downgraded since the agency started rating the nation in 2010.

Local banks will face higher fees and commissions to conduct foreign exchange-related banking with corresponding foreign banks, he said.

Foreign banks may also reduce credit limits for local banks due to the downgrade, he said.

Import payments have gone down in recent months, which has

already helped ease the stress faced by the foreign exchange market, said Hussain.

"But the country needs much more imports to ensure its desired GDP growth. Although the liquidity position in the foreign exchange market has improved significantly in recent months, it is still under lots of stress," he said.

The economy has grown by a massive extent in recent years, which is why the country's dependence on imports has increased substantially, he said.



## BIASS 2023 to begin in Oct

STAR BUSINESS REPORT

The Bangladesh International Aquaculture Seafood Show (BIASS) 2023 will begin on October 19 this year with the aim of promoting sustainable growth, innovation and international collaboration in the country's aquaculture and seafood industries.

The three-day event will be held at the Bangabandhu International Convention Center in Dhaka, Fisheries and Livestock Minister SM Rezaul Karim said at a press conference yesterday.

The event will be jointly organised by the fisheries and livestock ministry, Department of Fisheries, commerce ministry, Bangladesh Investment Development Authority, Bangladesh Frozen Foods Exporters Association, and Solidaridad.

Different aquaculture and seafood companies, practitioners, processors and exporters, researchers and academicians, government agencies and policymakers, investors and financial institutions, farmers, and international buyers will participate in the show.



Rechargeable lights kept for sale at a wholesale shop in Kaptan Bazar of Nawabpur in Dhaka. A rise in the frequency of power cuts around the country over the last two weeks has led to a spike in sales of rechargeable lights and fans. Although these lights are each sold for Tk 80 by wholesalers, retailers are charging anywhere from Tk 150 to Tk 200. The photo was taken last Wednesday. PHOTO: AMRAN HOSSAIN

# Bangladesh needs 8% annual GDP growth to be a developed nation

Says ICCB chief Mahbubur Rahman

STAR BUSINESS DESK

Bangladesh needs to maintain a GDP growth rate of over 8 per cent and increase its per capita income to around \$13,000 in less than two decades to become a developed nation, said Mahbubur Rahman, president of the International Chamber of Commerce Bangladesh (ICCB).

After becoming a developing country following graduation from the least-developed nation category in 2026, Bangladesh will require to fulfill a number of international compliance.

Therefore, good governance must be ensured in both public and private sectors, which is still far below the global indexes, he said.

The business leader made the comments while presenting the executive board report at the ICCB's 28th annual council in Dhaka yesterday, said a press release.

The ICCB president said Bangladesh made a rapid recovery from the Covid-19 pandemic supported by prudent macroeconomic policies.

"Bangladesh is now on track to graduating from the LDC category."

He mentioned that there are also mega challenges while chasing big dreams.

The executive board of the local chamber of the Paris-based global organisation suggested addressing some key issues for overcoming the challenges.

The challenges include inflationary pressure, energy crunch, balance-of-payments deficit, slower project implementation, and non-performing loans.

"In order to contain the inflationary pressure, there should be appropriate monetary and fiscal policies," Rahman said.

He said increasing dependence on imported fossil fuels, liquefied natural gas and coal for power generation has intensified risks, negatively affecting foreign currency reserves and swelling subsidy burdens.

So, Bangladesh should move faster with its exploration activities both onshore and offshore to replace expensive LNG with its own natural gas reserve, nuclear power and renewable energies with a view

to avoiding the adverse effects of climate change, he said.

"Rising commodity prices and a surge in imports resulted in a balance of payments deficit."



The ICCB chief said there is an urgent need for Bangladesh to diversify its export markets and products and sign free trade agreements with major Asian countries.

"As Bangladesh moves forward, infrastructure will play a crucial role in stimulating and crowding-in private sector investment."

By some estimates, Bangladesh will require to make investments of well over \$100 billion in the course of the next decade to build ports and roads, set up rail lines for management of goods, establish

power generation and distribution capabilities, provide utilities and services to meet the ever-increasing demands of the economy.

Several studies conducted by the Bangladesh Institute of Development Studies (BIDS) have revealed a substantial gap in the skill sets of workers in labour-intensive industries such as readymade garments, light engineering and electronics, leather and footwear and agro-food processing.

AK Azad, vice-president of the ICCB, Md Fazlul Hoque, Md Sameer Sattar, Naser Ezaz Bijoy, Tapan Chowdhury, Aftab Ul Islam, Kutubuddin Ahmed and Anwar-ul-Alam Chowdhury, executive board members, and Ataur Rahman, secretary general, were present.

Muhammad A (Rumeel) Ali, chairman of the ICCB Banking Commission, Syed Ali Jowher Rizvi, managing director of Summit Alliance Port, Bibhabasu Sengupta, managing director of Linde Bangladesh, M Shah Alam Sarwer, managing director of IFIC Bank, and MHM Fairoz, managing director of Singer Bangladesh, were also present.

## BBS to release socioeconomic data by Oct

STAR BUSINESS REPORT

The Bangladesh Bureau of Statistics (BBS) is expected to release its district-wise socioeconomic and demographic survey's estimates with 195 indicators by the end of October this year, according to a high official of the planning ministry.

The state-run statistical agency is now conducting its survey on 3 lakh households across the country. It began on June 1 and will end by June 15.

"The country will get around 195 types of social, economic, migratory and demographic information of the country's citizens," said Md Dilder Hossain, director of the survey project.

"It will provide us the district-wise households' elaborate estimate data, which we could not aggregate in the national Population and Housing Census 2022," he said.

The census was conducted last year with only 35 questions, said Hossain, also deputy secretary to the Statistics and Informatics Division of the Ministry of Planning.

Such large-scale census of other countries does not have adequate socioeconomic information of all citizens, he added.

"We have done it in a digital way for the first time," he said.

"This information will help to evaluate the progress the country has made in achieving the Sustainable Development Goals," said Hossain.

Across the country, 2,856 enumerators are working on the survey. Data will be collected from 2,583 sample units in Dhaka. There are 610 enumerators and 39 supervisors working in the capital.

On being contacted, Md Shariful Islam, deputy director of the statistics office's Munshiganj unit, told The Daily Star that they were collecting the data in full swing in their areas with the help of local public representatives and the administration.

However, many people do not want to share information related to remittance and land. Many people think that if they provide such information, they have to pay taxes, he said.

"We are availing such data on assuring them that the information would be kept confidential," he said.

## India's cenbank may not cut rate

REUTERS, Mumbai

India's central bank may not cut the key lending rate before February unless inflation falls sharply or a global crisis unfolds, a top treasury official of Axis Bank said.

On Thursday, the Reserve Bank of India left the repo rate unchanged at 6.50 per cent, as expected. However, Governor Shaktikanta Das said the central bank needed to move towards the primary target of inflation at the 4 per cent level, and it will do "whatever is necessary to ensure that long-term inflation expectations remain firmly anchored."

## US and five allies condemn trade-related economic coercion

REUTERS, Washington

The United States and five of its allies on Friday condemned the use of trade practices that amount to economic coercion in a joint declaration that did not single out other countries but appeared to be aimed at China.

Australia, Britain, Canada, Japan, and New Zealand jointly released the statement with the United States, emphasising that "trade-related economic coercion and non-market-oriented policies and practices" threatened the multi-lateral trading system and "harms relations between countries."

The statement comes after the Group of Seven leaders last month agreed to a new initiative to counter economic coercion and pledged action to ensure that any actors attempting to weaponise economic dependence would fail and face consequences. The United States, Britain, Japan and Canada are also members of the G7.

The countries expressed concern about "pervasive subsidization," anti-competitive practices by state-owned enterprises, forced technology transfer, and government interference with corporate decision-making.

Washington has regularly raised such concerns about trade practices by Beijing, and an official from the office of the US Trade Representative, who spoke to reporters about the joint declaration, cited China for imposing a ban on imports from Lithuania after Lithuania allowed Taiwan to open a de facto embassy.

China, which regards the democratically-ruled Taiwan as part of its territory, suspended imports of beef, dairy and beer from Lithuania last year.

## Cotton consumption

FROM PAGE B1  
offset by higher production in India and Brazil.

However, consumption is projected to decrease by 500,000 bales to 109.1 million bales in June due to lower usage in Bangladesh, Indonesia and the US.

Meanwhile, the global import forecast was revised down from the previous month to its lowest level in more than a decade at 37.1 million bales. This is because imports have reduced for Bangladesh, China, and Indonesia, reflecting trade-to-date and mostly lower consumption prospects, the USDA added.

Global ending stocks are up slightly this month to 92.9 million bales, nearly 7 million higher than the previous year.

Global cotton prices were mostly higher as last month's futures prices on the Intercontinental Exchange settled at roughly 85 cents per pound.

After last month's release, cotton futures surged to their highest level in more than three months on tighter old crop carry out for the US, robust growth forecasts in global consumption for 2023-24, and strong US sales and shipments.

Futures prices drifted lower after reaching 87 cents in mid-May with helpful rains in Texas, a stronger US dollar, and lower commodity futures.

Monsoor Ahmed, additional director of the Bangladesh Textile Mills Association, a platform for the primary textile millers, said cotton consumption in the country would



keep growing.

He said imports of American cotton would increase in the near future thanks to last month's withdrawal of the mandatory fumigation of the textile raw material coming from the country.

In April, the government had re-imposed the provision of fumigation of US cotton at ports. Now, African countries will lose their market share in Bangladesh, according to Ahmed.

Currently, African countries supply nearly 60 per cent of the cotton used by Bangladesh as local users have cut their over-reliance on Indian cotton in recent years.

But cotton consumption in Bangladesh may fall a bit after two to three years because of the increasing

use of manmade fibre as local spinners are importing the material to meet the growing demand from garment makers.

Mohammad Fazlul Haque, vice-president of the BTMA, said cotton consumption may not be as high as predicted by the USDA as there is a stockpiling of unsold yarn and unspun cotton at local mills.

"However, if work orders come in big volumes, consumption may increase."

Haque said some of the country's spindle capacity was supposed to increase by 2.5 million, but many spinners are refraining from further expansion because of the fall in demand for yarn and low gas pressure at their units.

## Textiles, RMG neglected

FROM PAGE B1  
"Considering the current scenario worldwide, we had expected a reduction of tax deducted at source from 1 per cent to 0.5 per cent, which was absent in the proposed budget," he said.

Even the continuation of the 15 per cent tax payable by the textile industry on their income, which is lower than that for most sectors, will have no benefit.

This is due to the fact that most units are now incurring losses for a reduction of work orders against the backdrop of inadequate gas pressure in the supply lines alongside frequent power cuts, said Mahmud.

"Also because of a rise in spare parts consumption, we expected a waiver of value-added tax and taxes on domestically produced spare parts."

"This would have helped support the local industry, enabled its development into an import substitution industry, and saved foreign currencies. Unfortunately, there was no such offer in the proposed budget."

A tax on the import of spare parts by entities inside the export processing zone is still in effect, which also should have been withdrawn considering the present economic slowdown, Mahmud said.

"There has been no allocation for research and development for the textile and garment sector at all, which we had expected as we are striving to produce more value added products."

No benefits were offered to factories which are investing in being environmentally friendly by reducing their carbon footprint alongside water and electricity consumption, added Mahmud.

"A lot of our traditional export markets will not be readily accessible as Bangladesh is going to graduate from the least developed country category."

"Moreover, there will be lesser access to low-cost concessional funding as we walk down this path of graduation."

According to Mahmud, Bangladesh has been caught up in a volatile international business atmosphere this year owing to high-interest rates in the US, the Russia-Ukraine conflict and recessionary fears gripping the world.

Internally, the economy and businesses suffered from high inflationary pressure and a lack of private sector credit growth, he said.

He had apprehensions over the government increasing its borrowing target from internal sources like the banking sector, saying it would further squeeze private sector credit growth.

Considering the current scenario worldwide, we had expected a reduction of tax deducted at source from 1 per cent to 0.5 per cent, which was absent in the proposed budget.

Shams Mahmud

A former president of DCCI

"The uncertainties over power supply have detrimentally affected the cottage, micro, and small enterprises."

Input costs have gone up alongside the necessity for machinery spare parts as those are breaking down because of the erratic power supply. These costs are ultimately passed down to the consumers, which is creating inflationary pressure, he said.

The depreciation of the taka against the US dollar came as a shock to the economy, which is now taking a toll on the common people and the middle class whose incomes are fixed, he said.

"We had hoped that the just announced national budget would address all these points and show us a clear strategy to overcome all these issues."



## Garment accessories assoc seeks govt assistance

STAR BUSINESS REPORT

The Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association yesterday sought government assistance to upgrade to state-of-the-art facilities in Bangladesh.

Addressing a press conference on its premises in Dhaka, AKM Mostafa Selim, the association's acting president, also demanded that the government offer them bonded warehouse facility.

He also urged the government to reduce source tax on export of garment accessories and packages to 0.5 per cent from 1 per cent and keep it in effect for five consecutive years.

The government should also ban import of garment accessories and packaging materials as those are now made in the country, he said.

Selim welcomed the proposed budget for fiscal 2023-24 for offering an incentive on export receipts of garment accessories and packaging materials, saying that the initiative would help increase shipments from the sector.

However, the budget has no specific guideline on addressing the severe fallouts of the pandemic, Russia-Ukraine war, US dollar shortages, price hikes of raw materials and complexities in opening letters of credit with banks, he said.

The packaging and accessories industry has been playing a major role in catering to the local market, which ultimately has reduced lead time for garment exports, he said.

## Oil prices decline

REUTERS, Bengaluru

Oil prices fell more than a dollar a barrel on Friday to record a second straight weekly decline, as disappointing Chinese data added to doubts about demand growth after Saudi Arabia's weekend decision to cut output.

Brent crude futures fell \$1.17, or 1.5 per cent, to settle at \$74.79 a barrel, while the US West Texas Intermediate crude fell \$1.12, or 1.6 per cent, to \$70.17 a barrel.

Both benchmarks lost more than \$3 on Thursday after a media report that a US-Iran nuclear deal was imminent and would result in more supply.

## The end of US dollar dominance is nigh: Russian banker

REUTERS, Moscow

The end of the dominance of the US dollar is nigh as the Chinese yuan rises and the rest of the world sees the peril of the West's failed attempt to bring Russia to its knees over Ukraine, one of Moscow's most powerful bankers told Reuters.

Andrei Kostin, the CEO of state-controlled VTB, Russia's second largest bank, said the crisis was ushering in sweeping changes to the world economy, undermining globalisation just as China was taking on the mantle of a top global economic power.

Asked if he thought the world was in a new Cold War, Kostin said that it was now a "hot war" that was more dangerous than the Cold War.

The United States and the European Union, he said, would lose from moves to freeze hundreds of billions of dollars of Russian sovereign assets as many countries were moving to settling payments outside the US currency and the euro while China was moving towards a removal of currency restrictions.

"The long historical era of the dominance of the American dollar is coming to an end," Kostin, 66, told Reuters on the 59th floor of the gleaming VTB skyscraper overlooking southern Moscow. "I think that the time has come when China will gradually remove currency restrictions."

"China understands that they will not become world economic power Number 1 if they keep their yuan as a non-convertible currency," Kostin said, adding that it was dangerous for China to keep reserves invested in US sovereign bonds.

Brac Bank's loan profile is highly diversified since it disbursed more than 50 per cent of its funds among cottage, micro, small and medium enterprises, around 32 per cent among corporates and around 18 per cent among the retail segment

Selim RF Hussain

## Loans disbursed by Brac Bank

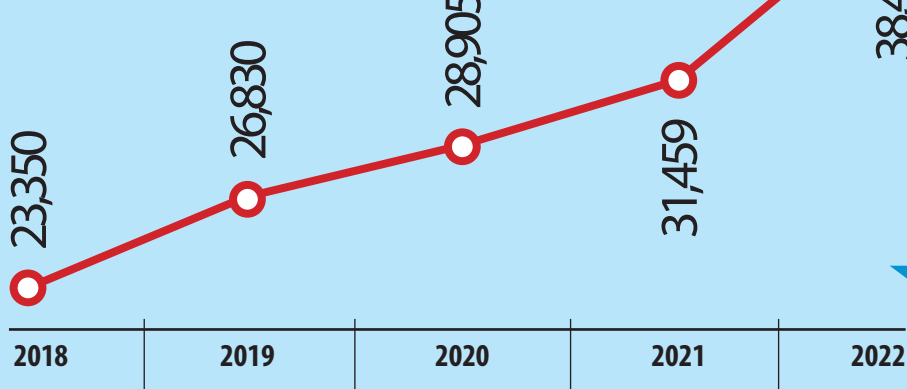
(In crore tk)



## Deposits at Brac Bank

(In crore tk)

SOURCE: BRAC BANK



# Brac Bank plans to double business by 2025

Managing Director Selim RF Hussain tells The Daily Star in an interview

AKM ZAMIR UDDIN

Brac Bank Ltd has planned to double its business by 2025 with a view to catering banking services to people from all walks of life, said its managing director, Selim RF Hussain.

The lender's market share in the country's banking sector was 2.2 per cent in 2021, which will be widened to 4.5 per cent by 2025, he said in an interview with The Daily Star last week.

"We took the plan in 2021, and it is now being implemented successfully as the lender is expanding its business at a fast pace," he said.

For instance, the lender achieved a loan growth of 28 per cent last year compared to around 14 per cent registered by the banking sector.

Meanwhile, it also secured a deposit growth of 24 per cent in contrast to 7 per cent managed by all banks on an average.

It also achieved a 32 per cent growth in its net profit after tax for 2022 despite various challenges in the market.

Its net profit stood at Tk 576 crore last year whereas it was Tk 555 crore in 2021.

The bank took a medium-term plan in 2021 for the next four years, under which it decided to grow its balance sheet on an average of 22 per cent each year.

"The bank took the decision to grow in an aggressive manner at a time when the country's banking sector was under a stressful situation," said Hussain.

"Our financial health was better than many others during the period. Moreover, we prepared our human resources and digital and other platforms between 2015 and 2020 to commence our journey," he said.

This did not come about overnight as the bank put in tremendous efforts to complete



Selim RF Hussain

the associated fieldwork between 2015 and 2020, he said.

The lender's loan profile is highly diversified since it disbursed more than 50 per cent of its funds among cottage, micro, small and medium enterprises, around 32 per cent among corporates and around 18 per cent among the retail segment, he said.

"No bank in Bangladesh has managed to secure such diversity. This is why the bank is free from credit concentration risk," said Hussain, who joined Brac Bank Ltd in November 2015.

Corporate governance is the main strength of the lender and its board of directors has played a pivotal role in ensuring that, he said, adding that no director in the bank has any ownership of the lender.

"A powerful relationship between the management and the board is the major driver of the business expansion of the lender. The board always empowers the management

to take decisions independently," he said.

Default loan is now a major challenge for the banking sector but only 3.7 per cent of the lender's total loans were non-performing loans (NPLs) as of March this year, much lower than the banking sector's average default loan ratio of 8.8 per cent.

"We are managing our NPLs efficiently as the bank usually recovers 30 per cent of its bad debts each year," said Hussain.

He thinks that the government should invest more to strengthen the country's legal framework to tackle the challenges stemming from defaulted loans.

The bank has been investing in digital platforms substantially for the last five to six years and it has started to get benefits from its efforts, he said.

The lender settled around 17 per cent to 18 per cent of transactions digitally just before the pandemic arose but it is now close to 75 per cent, said Hussain.

It has already invested a large amount of funds to ensure cyber security to run its transactions smoothly, he said, adding that the bank has appointed 25 ethical hackers to secure its digital and online banking.

"We are now pushing more for digital banking. But it is not possible to settle all transactions digitally soon," he said.

"So, we are now giving importance to expanding both our physical and digital networks in tandem to bring the commoners under the formal banking sector," said Hussain.

The bank will set up 500 sub-branches within the next three to four years in rural areas, said Hussain, who is also the chairman of the Association of Bankers, Bangladesh, a platform of the banking industry's chief executives.

READ MORE ON B2

## Power of tech in driving public sector reforms

MAMUN RASHID

In an era defined by rapid technological advancements, the role of technology in the government sector is undergoing a profound transformation. Merging government and technology holds the promise of streamlining operations, enhancing citizen engagement, and ultimately transforming the way in which governments function.

Many countries have already embarked on this journey.

The Philippines has created a programme which tracks and generates reports on public education services, leading to quicker responses to challenges such as the lack of textbooks, classroom maintenance and false enrollment rates. The Jakarta Transport Authority in Indonesia has worked to assess alternate traffic plans, resulting in bus trip times being cut and their ridership increasing.

About 99 per cent of the adult population in India have already enrolled on the Aadhaar digital identification programme, which is used to distribute government benefits, services, and subsidies.

Technology has already played a significant role in the government reform of Bangladesh, enabling various advancements and improvements in governance, service delivery, and citizen interaction. This includes the digitalisation of various government services, online portals, and electronic document management systems.

Very few people can forget how the Surokha app was an incredible game-changer during the Covid-19 pandemic.

The introduction of the National ID card (NID) system has facilitated seamless citizen identification and authentication for various government services. The NID system has already been integrated with different sectors such as banking, taxation, and social welfare programmes.

In the future, technology will play a pivotal role in shaping governments worldwide. Artificial intelligence-powered chatbots can provide instant and personalised assistance, machine learning algorithms can analyse vast amounts of data to identify patterns and predict trends, and AI can streamline administrative tasks, leading to increased efficiency and cost savings.

Blockchain technology can ensure transparency and trust in public services, such as voting systems and procurement processes.

The Internet of Things can enable the collection of real-time data from sensors and devices embedded in public infrastructure, such as traffic lights, and utilities, which can be leveraged to optimise resource allocation, improve urban planning, and enhance emergency response capabilities. E-government platforms will become more interactive and personalised, bridging the gap between the government and the people they serve, and allowing citizens to access government services seamlessly.

However, government reforms with technology can face resistance. Bureaucratic inertia and resistance to new approaches can make it challenging to gain consensus and drive reform initiatives forward. Most importantly in the specific case of Bangladesh, such resistance may come from those "morally not so strong" government officials who may realise that more technology and automation would directly lead to much lower opportunities for corrupt practices, which are so highly prevalent when the processes are manual and require direct physical contact between citizens and government officials.

Therefore, the successful implementation of technological reforms will depend on garnering widespread public support and acceptance. Engaging citizens, managing expectations, and effectively communicating the rationale, benefits, and progress of reforms are essential.

As governments worldwide embrace these transformative possibilities, they will also pave the way for more responsive, transparent, and effective governance in Bangladesh.

The author is an economic analyst



Deputy Governor of the Bank of Russia Sergey Belov holds the newly designed Russian 100-rouble banknote during a presentation in Moscow, Russia on June 30, 2022.

PHOTO: REUTERS/FIELD

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## EU to try again for renewable energy deal after nuclear row

REUTERS, Brussels

European Union countries will try again next week to pass a deal on new renewable energy targets, which have been stalled by concerns from France and other states that the law sidelines nuclear energy.

A group of countries including France lodged last-minute opposition to the EU's law on more ambitious renewable energy goals last month, putting on hold a main pillar of the bloc's plans to tackle climate change.

EU country diplomats will attempt to approve the law on Wednesday, according to an agenda for the meeting published late on Friday.

Paris has sought changes to the law to offer more favourable treatment of nuclear energy, and said the final deal puts at a disadvantage country like France with large shares of nuclear power. Nuclear energy is low-carbon, but not renewable.