

Fareast Islami Life Ins facing steep debt

Unable to clear claims for liquidity crunch

S DILIP ROY and SUKANTA HALDER

Firoza Begum, a resident of Shalmara village in Bhelabari union under Aditmari upazila of Lalmonirhat, opened a 12-year term policy with Fareast Islami Life Insurance Company some 15 years ago.

With the policy having matured about three years back, Firoza has regularly visited the company's local office since then in a bid to get back her Tk 80,000 deposit.

"But I am not getting my money," said the 52-year-old housekeeper.

Like Firoza, around 3,000 policyholders of Fareast Islami have been struggling to get claims amounting to around Tk 19.58 crore due to a liquidity crunch in the company, according to an official of the insurer.

"I am tired of going to the insurance company," she added.

Rafiqul Islam, who works as a day labourer in Uttar Saptana village under Lalmonirhat sadar upazila, said his life insurance policy also matured three years ago but he is yet to get his funds back.

"I often visit the company's office to get my Tk 40,000. I need the money as my wife is sick but I cannot afford the treatment," he added.

On condition of anonymity, an official of Fareast Islami's Lalmonirhat branch, said they have 21,000 policyholders in the district.

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HOMELAND LIFE INSURANCE OVER 37,000 CLIENTS unsure about settlement of claims

BY THE NUMBERS

- Founded in 1996
- Affected policyholders: 37,112
- Involving claim: Tk 79cr
- Life fund amount: Tk 202cr
- Idra got complaints: 6,820
- Out of 2,980 agents, 2,903 have expired licences



PHOTO: PALASH KHAN

KEY POINTS

- For violation of law, the insurer will have to pay fine of Tk 3.88cr
- Idra recently appointed auditor in the insurer
- Insurer was ordered to settle all claims by June this year
- Idra asked it to submit a business action plan for next three years

REASONS FOR LOW CLAIM SETTLEMENT

- A lack of liquidity
- Management's expenses above permissible limit
- Alleged misappropriation of Tk 104cr

regulator that about Tk 50 crore was mismanaged from 2010 to 2022, the official said.

At present, the company has 17 directors, including three independent directors.

The insurer had no long-term proper investment plan, resulting in the current situation confronting the insurer, said an Idra senior official.

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WEEKLY INTERVIEW



Ahsan Khan Chowdhury

AGRO-PROCESSING

'Costly production brings down exports'

JAGARAN CHAKMA

Exports of processed agricultural products declined in the immediate past fiscal year for a hike in the cost of production and raw materials which eroded competitiveness in the international market, according to Ahsan Khan Chowdhury, chairman and chief executive officer of Pran RFL Group.

"Due to price hike of raw materials, the need to import intermediate goods and hike of gas and power tariff, cost of production increased by almost 30 per cent last fiscal year," he said.

"...which pushed down the competitiveness of agriculture products in the international market," said Chowdhury during an interview with The Daily Star this week on the exports' decline.

Export of processed agricultural products rose for two consecutive years before slumping in the outgoing fiscal.

In the last fiscal year of 2022-23, processed agricultural products worth \$840 million were exported, down 27.47 per cent year-on-year.

Chowdhury pointed out that the price of Bangladeshi products was higher than that in competitor countries, especially India and Pakistan, which caused buyers to lose interest.

Worldwide inflation due to the Russia-Ukraine war, increase in freight costs, and an export ban on aromatic rice are also behind the fall, he said.

According to him, the ban on aromatic rice export had a significant effect. "Pran itself accounts for around 20 per cent of the total export volume," he said.

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A group of sheep graze at a field in Char Batia under Bogura's Shariakandi upazila. Sheep farming is increasingly getting popular in char areas and has already brought solvency to many farmers in the northern part of Bangladesh. The meat from the animal is part of the country's cuisine, and its skin and wool is used in making clothes. The photo was taken recently.

PHOTO: MOSTAFA SHABUI

Political stability prerequisite for 'Smart Bangladesh'

Businesses say at FBCCI conference

STAR BUSINESS REPORT

A number of businesses yesterday demanded that the prime minister enable a stable political and business-friendly environment to build up a "Smart Bangladesh" by 2041.

Businesspeople of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the apex trade body, also wanted continuation of the incumbent government through the next general election scheduled to be held in January next year.

At a "Business Conference on Building Smart Bangladesh" organised by the FBCCI at Bangabandhu International Conference Centre in Dhaka, they chanted slogans saying that the current government was "needed again and again".

With Prime Minister Sheikh Hasina in attendance as chief guest, they said the current government was needed to take the economy "to the next level" through

the implementation of ongoing mega projects.

The business community also demanded that the prime minister ease customs, VAT and tax rules, reasoning that they have been facing a lot of "harassment" from the National Board of Revenue (NBR).

FBCCI, the apex trade body, also wants continuation of the incumbent government through the next general election

Energy security through stable power and gas supplies are a prerequisite to running businesses "smartly" and to build the four main pillars of "Smart Bangladesh" — economy, citizens, government and society, they said.

They also demanded "smart" educational institutions and skilled manpower to address demands for the workforce and artificial intelligence.

Building a "Smart Bangladesh" requires banks, VAT, customs, NBR and government officials to be "smart", the businesses said.

The government needs to facilitate use of "smart" technologies in agriculture, services and industries for a "Smart Bangladesh", they said.

Moderating the conference, FBCCI President Md Jashim Uddin suggested that the government conduct exploration for gas and coal for ensuring adequate and uninterrupted energy supply.

The businesses also demanded a lower bank interest rate, especially for cottage, micro, small and medium enterprises which account for the lion's share of employment generation.

Citing different challenges, businesspeople of different sectors

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Kamal leaves for India to attend G20 summit

STAR BUSINESS REPORT



Finance Minister AHM Mustafa Kamal left the country for India yesterday morning to attend a two-day G20 summit of finance ministers and central bank governors of the member states, which will begin in Gujarat tomorrow.

Although Bangladesh is not a member state of the alliance of 20 industrialised countries, Kamal will join the summit as a representative from a guest country

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Panel to appoint developers for economic zones

STAR BUSINESS REPORT

The government has formed a committee as part of efforts to appoint developers to establish economic zones in partnership with other countries or one or more state organisations.

The developers will be appointed under a government to government initiative as per the Bangladesh Economic Zones (Appointment of Developers) Rules, 2020, according to a circular issued by the Prime Minister's Office on July 11.

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STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▲	
0.10%	0.05%	
6,341.10	18,731.88	

COMMODITIES		AS OF FRIDAY
Gold ▼	Oil ▼	
\$1,955.73 (per ounce)	\$75.20 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.77%	▼ 0.08%	▲ 0.31%	▲ 0.03%	
65,060.90	32,391.26	3,248.63	22,237.70	

BGMEA, Green Power sign MoU for green garment factories

Technical support will be provided for energy efficiency

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has signed a memorandum of understanding (MoU) with Green Power Ltd to help garment factories become more energy efficient with green and clean sources of energy.

Green Power will provide technical support to BGMEA factories in case of adoption of green and clean energy, including solar power, and help them become energy-efficient, the BGMEA said in a statement.

To that end, they will also conduct a reconnaissance survey of interested member factories to find options available to incorporate any reliable, low-cost and cleaner sources of power with possible installation of solar power and battery energy storage system based on day-load curve of their enterprise.

Faruque Hassan, president of BGMEA, and Shaikh Ehsanul Habib, managing director of Green Power, inked an MoU in this regard at the BGMEA Complex in Dhaka.

Md Moshikul Azam Shajal, former vice president of BGMEA, and ANM Saifuddin, chair of BGMEA standing committee on labour and ILO affairs, also attended the MoU signing ceremony.



Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, and Shaikh Ehsanul Habib, managing director of Green Power Ltd, exchanged signed documents of a memorandum of understanding at BGMEA Complex in Dhaka yesterday.

PHOTO: BGMEA



Iftekhar Ahmed Tipu, chairman of IFAD Group, cuts a cake at the plant in Dhamrai yesterday celebrating a milestone of 10,000 commercial vehicles manufacturing.

PHOTO: IFAD GROUP

IFAD Autos hits milestone in manufacturing vehicles

STAR BUSINESS DESK

IFAD Autos Ltd, a commercial vehicle manufacturing and marketing company in Bangladesh, recently reached the milestone of producing 10,000 Ashok Leyland branded vehicles at its Dhamrai factory.

Iftekhar Ahmed Tipu, chairman of IFAD Group, yesterday cut a cake to celebrate the milestone at the plant in Dhamrai adjacent to the Dhaka-Aricha highway, said a press release.

Tipu branded the day as a special joy for IFAD Group. "Because of the country's overall condition, adding and producing heavy vehicles was a big challenge. With proper planning, hard work, and united efforts of all concerned, IFAD Autos has won the challenge. In the future, IFAD Group will be ahead in manufacturing any vehicle with modern technology," he said.

"Bangladesh had made revolutionary progress in the last few years in heavy commercial vehicles. The increased import to meet the rising demand for commercial vehicles costs considerable foreign currency. For this reason, IFAD Autos built this factory in Dhamrai," Tipu added.

The company started vehicle production at the factory with technical support from India's Ashok Leyland in early 2017. It now assembles top-notch AC, non-AC luxury buses, trucks, and covered vans of the Indian brand.

Surprise growth helps Singapore avoid recession

AFP, Singapore

Singapore's economy grew more than expected in the second quarter, data showed Friday, helping it avoid a recession, but analysts warned the trade-dependent city faced headwinds owing to weak overseas demand.

The Southeast Asian nation's performance is often seen as a barometer of the global environment because of its reliance on international trade.

Official data showed the economy expanded 0.3 per cent quarter-on-quarter in April-June, having shrunk 0.4 per cent in the previous three months. It had been tipped to contract 0.2 per cent in a Bloomberg survey.

That meant it dodged falling into a technical recession, defined as two successive quarters of contraction.

On a year-on-year basis the economy grew 0.7 per cent, according to trade ministry estimates, after 0.4 per cent expansion in January-March.

The surprise reading came even as manufacturing, a pillar of the economy that covers key semiconductor exports, dropped 7.5 per cent on-year, worsening from the 5.3 per cent decline in the first quarter.

"The economy avoided a technical recession in the second quarter but we continue to expect growth to come in well below consensus this year as elevated interest rates and weaker external demand weigh heavily on economic output," research house Capital Economics said in an analysis.

Ukraine logs \$8.97b trade deficit in Jan-May

REUTERS, Kyiv

Ukraine's trade deficit grew to \$8.97 billion in the first five months of the year compared with a deficit of about \$1 billion posted in the same period a year ago, the statistics service said on Friday.

It said in a statement that exports of goods were \$16.45 billion from January to May, while imports were reached \$25.42 billion in the first five months of 2023.

Analysts said that continued growth in imports was a sign of economic resilience during Russia's war on Ukraine as businesses were bringing in the necessary goods to continue operations.

The data showed that imports grew by about 24 per cent from January to May and machine-building products and energy equipment were among the most popular items to bring into Ukraine.

However, Ukrainian exports continued to shrink, falling by 15.6 per cent from January to May compared with the same period a year ago. The largest fall of 60.6 per cent was in exports of metals and steel products as Ukrainian Black Sea ports - the main shipping routes for steel exports before the war - have continued to be blocked following Russia's invasion.

UCB to widen retail, SME lending

FROM PAGE B4

loans were not accurately classified during that period.

When businesses started to recover from Covid-19 shocks helped by low-cost stimulus loans and favourable rescheduling schemes, the start of conflict between Russia and Ukraine disrupted global supply chains, leading to an increase in the cost of imported raw materials. In addition, the shortage of foreign currencies and the problem in opening new LCs resulted in decreased export earnings of many large corporate companies in Bangladesh.

Furthermore, the power shortage cut production levels and the fuel price hike impacted transportation costs, thereby affecting the overall cost of businesses. This eventually affected manufacturers and exporters, resulting in decreased production and slowing export earnings.

The rise in production costs made it extremely challenging for corporates and SMEs to operate profitably, subsequently hampering their ability to repay loans and causing a surge in NPLs in recent years.

UCB is an old bank and has got a lot of legacy. Sometimes in the past, rules were not properly followed to provide loans and there had not been proper monitoring.

We are forming a task force to monitor loans that are turning bad. We are assigning an individual and talking directly to borrowers to ensure repayments are in line with Bangladesh Bank rules. This is giving good returns.

We are focusing on small loans where the turnover is high and the recovery is good. We are opening LCs for small clients who can't do the same in other banks.

DS: As the number of banks in Bangladesh is high, why do

customers keep money at your bank? What are your key strengths?

Quadri: UCB has several key strengths that set it apart from others. It is an old bank and its reputation has widened in the last few years, locally and internationally.

We have lending arrangements with the International Finance Corporation and the Asian Development Bank. They don't give anything to us at our face value but rather on the basis of the strength of the balance sheet.

"We place a strong emphasis on customer satisfaction. We have also one of the largest ATM networks, a lot of sub-branches and agent banking outlets. We have a lot of points of sale at stores and these are very efficient," the UCB managing director said.

Our management is very strong and honest and has integrity. The interference of the board in our day-to-day work is minimal. Management can work freely. Our board is also considerate to improve the health of the bank. This is the strength. We have come to a position in 40 years where people say UCB is a good bank.

We place a strong emphasis on customer satisfaction. We have also one of the largest ATM networks, a lot of sub-branches and agent banking outlets. We have a lot of points of sale at stores and these are very efficient.

We are advanced technologically and we have one of the highest

investments in technology among banks. We are focusing on digitalisation to improve efficiency and provide better services.

DS: What are the strategies the bank has taken to attract deposits and borrowers?

Quadri: UCB offers competitive interest rates on various deposit products to attract savings. By providing attractive returns and flexible deposit options, we aim to incentivise customers to choose their bank for depositing their funds.

We have diversified deposit products, including recurring deposits, and specialised deposit schemes. By offering deposit options, we cater to the preferences and financial goals of different customer segments.

We emphasise building strong relationships with customers. We engage with clients, understand their financial requirements, and offer personalised solutions to foster long-term relationships and enhance customer loyalty.

UCB has streamlined loan approval processes by minimising paperwork and ensuring quick turnaround times so that borrowers get hassle-free and timely financing solutions. We also offer a range of loan products tailored to the specific needs of different customer segments.

We also focus on responsible lending through credit risk assessment. Based on the thorough analysis of borrowers' creditworthiness, income, collateral, and repayment capacity, UCB aims to maintain a healthy loan portfolio while minimising credit risks.

These strategies collectively contribute to UCB's efforts in attracting deposits and acquiring clients for lending, which ultimately support growth and profitability.

Russia plans

FROM PAGE B4

May and July that already total 500,000 barrels per day.

July oil loadings from western ports, such as Primorsk and Ust-Luga in the Baltic Sea and Novorossiysk in the Black Sea, are set to fall to 1.9 million bpd this month compared to 2.3 million bpd in June and 2.4 million bpd in May.

Russia exports oil and products via the Pacific and a direct pipeline to China as well as its European ports. Its export plans via eastern export routes are not yet available.

Three sources familiar with the matter told Reuters that Russia had instructed oil companies to reduce supply plans for the next month.

Its energy authorities held a meeting with the companies' top managers earlier this week, asking them to make more efforts to guarantee lower exports in August.

A spokesperson for Russian Deputy Prime Minister Alexander Novak, who is in charge of Moscow's relations with Opec+, did not reply to requests for comment.

Novak said on Thursday that Russian companies themselves would decide whether to cut oil production in August, but that Russia's task was to reduce supplies to world markets.

Russia's total crude and products exports are estimated at up to 7 million bpd, but data has been secreted since the country's actions in Ukraine, which Moscow calls special military operation.

Prior to Russia's announcement of plans to reduce overseas supplies, Opec+ was only managing oil production, not exports.

Igor Sechin, a powerful head of Russia's largest oil producer Rosneft, first hinted at the need to reduce exports as well as output last month.

Russian offline primary oil refining capacity is seen rising by 40 per cent in August from July, making additional oil export cuts next month even tougher for many.

If Russia wants to cut oil exports in August from July, companies may postpone some planned works to autumn months to increase domestic oil consumption, or cut oil production, traders said.

Over 37,000 clients unsure

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The insurer's current and special notice deposit reserves were Tk 58.79 crore and Tk 58.56 crore in 2020 and 2021, respectively.

A special notice deposit account is an interest-bearing deposit account where advance notice is required for withdrawal.

Insurers have to set aside provisions against unsettled claims.

But according to the financial statement for 2021, the provision amount was Tk 4.14 crore, way lower than the actual unsettled claim amount.

Idra documents described it as a fake surplus, saying if the insurer had kept aside provisions against unsettled claims as per standard accounting practices, there would not have been any surplus.

On the back of the surplus fund, it paid dividends to shareholders, the regulator said, the dividend was given without complying with rules.

In addition, the directors of Homeland took Tk 40,000 instead of Tk 8,000 for attending a board meeting. From 2015 to 2022, the directors took an additional Tk 3.10 crore to this effect.

The company started its journey in 1996 but is yet to be listed on the capital market, a violation of rules. The company will have to pay a fine of Tk 3.88 crore for breaching the laws.

According to the Idra, the ratio of the policies that lapsed in the second year stood at 68 per cent, 62 per cent and 66 per cent in 2019, 2020 and 2021, respectively.

Some 72 per cent of the policies that were in their third year lapsed in 2019 and it was 80 per cent in 2020, it said, adding that only a small number of policies reached maturity.

Of the 2,980 agents, the licences of 2,903 expired.

NEW DIRECTIVES

The Idra issued a series of directives on June 13 to address the company's ongoing crisis with a view to protecting policyholders' interests.

The insurer has been asked to submit a business action plan for the next three years and raise the policy renewal rate to at least 60 per cent in the second year.

Currently, the policy renewal rate is around 30 per cent, according to an official of Homeland Life Insurance.

The regulator has asked the insurer to bring down management expenses within the permissible limit, adjust the additional management expenses for 2023 by the remainder of the year, and take the appropriate initiative to increase the life fund.

The unsettled insurance claims have to be properly provisioned and legal actions have to be taken against the people linked with the fund embezzlement after carrying out a probe, the directive added.

The insurer was ordered to settle all claims by June this year.

Homeland's Mondal, however, says it is not possible to settle all claims as per the Idra's directive.

"Currently, the company has assets worth Tk 81 crore that can be liquidated. So, the insurance claims involving Tk 79 crore have not been settled," he said, adding that some policy-holders got Tk 2 crore against their claims in May and June.

Mohammad Zainul Bari, chairman of the Idra, said there is internal conflict between the directors of the company.

"Instructions have been given to run the company properly so that the interests of the policyholders are not compromised. We are closely monitoring their activities."

Kamal leaves

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and lead a delegation, according to a press release of finance ministry.

India, the host country, included Bangladesh and eight other nations from different parts of the world in the summit as guest nations this year.

The finance minister is expected to highlight what is needed to do to face the current global economic crisis and Bangladesh's economic progress.

He will also attend bilateral meetings with finance ministers of different countries, according to the press release.



Two women are seen catching fish from the Sajira Canal in Dumuria upazila of Khulna. As they are unable to buy fish from local markets amid ongoing inflationary pressure, they have taken to foraging from nearby waterbodies, where native breeds are available. PHOTO: HABIBUR RAHMAN

Demand for electric bikes gaining momentum

SUKANTA HALDER

The demand for electric motorbikes is increasing in Bangladesh for being an eco-friendly and cost-effective mode of transport.

In 2020, the Bangladesh Road Transport Authority issued a policy for registering electric vehicles.

The use of electric motorbikes has increased since then, with the biggest spike seen in 2022, according to industry people.

The adoption of electric two-wheelers has ramped up as they are more environmentally friendly and cost-effective than those powered by fossil fuel, they said. Besides, advancements in the required components, such as quickly rechargeable batteries and lightweight motors, are also driving demand.

Just six or seven years ago, up to 10 electric motorbikes were sold each month compared to more than 50 units at present, said Iftakher Hossain, a system analyst of Akij Motors.

Similarly, up to seven electric bikes



that run on three wheels are now being sold each month compared to just three units previously.

But the popularity of electric vehicles has not reached a high level in the country due to complications in access to charging facilities alongside hikes in the price of electricity.

"Still, the market has been growing for the past few years and so, it has a good prospect," Hossain said.

"Earlier, electric vehicles such as these were only sold in areas outside Dhaka, but a new dimension was added after issuance of the registration policy," he added.

With this backdrop, Komaki, an electric two-wheeler brand of India, announced on Friday that it has entered the local market by opening an outlet in Dhaka, as per a report by the Economic Times of India.

Gunjan Malhotra, director of the electric division at Komaki, said the company received a good response in India and expects the same from other countries in the South Asian Association for Regional Cooperation (SAARC).

This is because SAARC nations share similar geographical attributes and economic conditions that foster a pro-

bike culture, she added.

Malhotra also said that with a diverse product portfolio, Komaki is poised to serve an extensive customer base, driving the rapid adoption of electric vehicles in the SAARC region.

"The company offers a wide range of electric two-wheelers, including nine low-speed models and eight high-speed ones," she added.

According to a report published by Next Move Strategy Consulting, a US-based market intelligence provider, the global electric motorbike market generated \$45.75 billion in 2021.

The market is estimated to generate a total of \$109.53 billion by 2030, posting annual growth of 10.21 per cent in the current decade, it said.

Walton Digi-Tech Industries Ltd, a concern of Walton Group, launched the first locally made electric bike by the end of 2022, jumping on the bandwagon of a global shift towards eco-friendly transportation. Walton recently said it has the capacity to manufacture 2.5 lakh units of electric bikes each year.



Artificially high growth predicted for China in Q2

Survey finds

AFP, Beijing

China's economic growth is expected to have surged in the second quarter, an AFP survey has forecast, but analysts say Monday's figures will be misleadingly inflated given the low base of comparison with pandemic-ravaged 2022.

A year ago, with restrictions such as sudden lockdowns, travel curbs and factory shutdowns the norm, China posted 0.4 per cent on-year growth, one of its lowest quarterly readings in recent years.

This year, an average of predictions from a group of 13 experts interviewed by AFP suggested the economy expanded 7.1 per cent in April-June.

But this figure is "artificially high because of the low base" in 2022, said Gene Ma from the Institute of International Finance.

The same period last year notably included a lockdown in Shanghai that saw the financial capital of 25

million people completely closed off for two months.

The quarter-on-quarter growth figures, which will also be released on Monday, should give a more realistic view of the world's second largest economy.

In the first three months of this year, it grew 4.5 per cent on-year, reflecting a resurgence in activity after the abrupt end of the zero-Covid policy in December.

But the recovery, which has been slow to take hold in some sectors, appears to already be running out of steam.

Despite the post-pandemic reopening, a sluggish job market and general uncertainty over the future mean consumer confidence is at a low.

"From holiday travel to shopping for cars and homes, the macroeconomic data shows Chinese people are now just afraid to open their wallets too widely," said the independent Hinrich Foundation's Stewart Paterson.



A worker is seen polishing a bicycle wheel at a factory producing bicycle parts for export, in Hangzhou, China's eastern Zhejiang province. PHOTO: AFP/FILE

Fareast Islami Life Ins facing Costly production

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With about 3,000 of these clients' policies having matured, many of them flock to the company's local office every day in a bid to get back their deposit.

"However, the head office is not providing refunds," the official added.

Abdul Hai, head of Fareast Islami's Lalmonirhat branch, said policyholders are not getting their money back due to the company's lack of liquidity.

"It is not possible to say when the claims will be settled," Hai said, adding that he even stopped coming to office on a regular basis to avoid the mounting pressure from claimants.

Sheikh Kabir Hossain, chairman of Fareast Islami, said the company is "sick" as it owes a lot of money while its owners are in jail.

The government had set up a new board of directors to restore Fareast Islami to its previous position, but they have not made much progress so far.

"Due to this sickness, it is not possible to pay back debts at the required rate," said Hossain, who is also president of the Bangladesh Insurance Association.

Another reason is that new clients are not coming to open policies anymore as the company has gotten a bad reputation, meaning that there is a lack of incoming funds to clear the debt, he added.

Jahangir Alam, spokesperson of the Insurance Development and Regulatory Authority (Idra), said Fareast Islami was issued several directives to pay outstanding claims.

In addition, their activities are being monitored, he added.

As per unaudited data of the Idra for 2022, Fareast Islami currently owes Tk 4,559 crore in claims.

Of this amount, the company has settled just Tk 970 crore, or 21.29 per cent, of the total claims.

In April 2021, the Idra appointed Shiraz Khan Basak and Company,

a chartered accountant firm in Bangladesh, to conduct a special audit on Fareast Islami.

The auditor then submitted a report to the Idra in May 2022.

As per the report, Tk 2,367 crore has been embezzled from the company. Apart from this, accounting irregularities amounting to Tk 432 crore were detected.

Nazrul Islam and MA Khaleque, former chairmen of Fareast Islami, Hemayet Ullah, former chief executive officer, and former directors and senior officials were found involved in the embezzlement.

The money was embezzled in mainly two ways: purchase of land at prices higher than the market value and bank loans availed mortgaging the company's Mudaraba Term Deposit Receipt (MTDR).

The MTDR is a profit bearing account based on the Mudaraba concept that offers returns on money deposited for a fixed period of time.

In September 2021, the Bangladesh Securities and Exchange Commission dissolved the company's board of directors. That same month, the then chief executive officer, Hemayet Ullah, was sacked by the Idra.

At present, Fareast Islami operates through independent directors.

Md Main Uddin, a professor of banking and insurance at the University of Dhaka, said clients would not have suffered for claims had the regulator played its role properly and had the intention to protect the interests of people.

"In order to retain confidence and trust of people on the insurance sector, the government can create an emergency fund to settle claims of real policyholders of the company," he said.

"The government can later realise the fund by liquidating assets and investment of the insurers. Otherwise, people will lose confidence," added Main.

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This also caused Pran's exports to decline by around 12 per cent last fiscal year, said Chowdhury.

"...if we fail to export our agricultural products, we will lag behind in earning foreign exchange," he said.

He hopes for the situation to change this fiscal year as prices of raw materials were coming down gradually in the international market.

The government is also likely to withdraw the ban on aromatic rice export, he said.

According to Chowdhury, any such ban has little effect on the growers but agriculture product exporters suffer immensely.

Panel to appoint developers

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An executive member for planning and development of Bangladesh Economic Zones Authority will chair the eight-member body.

The committee will evaluate and scrutinise proposals of the developers, take opinion from experts if necessary, provide necessary suggestions, negotiate with the developers and take decision and send recommendations to the authorities concerned for

Regarding increasing agriculture product exports, Chowdhury suggested that the government at first enable make raw materials to be available at an affordable price so that production costs decline.

Then a solution should be provided over the difficulties faced when opening letters of credit for intermediate and raw materials, he said.

"If it takes time to collect raw materials, it increases the cost of production," he said.

Regarding allegations that a section of exporters was cooking the books to claim cash incentives, Chowdhury suggested strong monitoring by government agencies.

approval, according to the circular.

The committee will consist of representatives from the PMO, foreign ministry, legislative and parliamentary affairs division, Economic Relations Division, the Central Procurement Technical Unit of the Implementation Monitoring and Evaluation Division, Bangladesh Investment Development Authority and Public-Private Partnership Authority.

Ministers, members of the parliament, government highups, current and former leaders of business associations, business chambers, manufacturers, exporters, importers, bankers, representatives from the international clothing retailers and brands spoke at the conference.

Oil prices fall on profit-taking

REUTERS, Bengaluru

Oil prices fell more than a dollar a barrel on Friday as the dollar strengthened and oil traders booked profits from a strong rally, with crude benchmarks recording their third straight weekly gain.

Brent crude futures settled at \$79.87 per barrel, down \$1.49, or 1.8 per cent, while the US West Texas Intermediate crude futures fell \$1.47, or 1.9 per cent, to settle at \$75.42 a barrel.

"It just appears to be some profit taking, with some demand concerns coming back to the front and center as the dollar rebounds," said John Kilduff, partner at Again Capital.

The US dollar index edged higher after hitting a 15 month low during the session, as investors consolidated ahead of the weekend. A stronger greenback reduces oil demand, making crude more expensive for investors holding other currencies.

Next week, however, the rally could resume as easing inflation, plans to refill the US strategic reserve, supply cuts and disruptions could support the market, said Rob Haworth, senior investment strategist at US Bank Wealth Management.

"While oil prices are likely slightly overbought in the very near term, touching the highest levels since early May, the bias appears to be for a grind higher," Haworth said.

Oil prices gained nearly 2 per cent on a weekly basis, after supply disruptions in Libya and Nigeria heightened concerns that the markets will tighten in coming months.

US banks caution on economy

AFP, New York

Results of large US banks released Friday underscored the boon from higher interest rates, as executives described the world's biggest economy as "resilient" but facing risks.

JPMorgan Chase, Citi and Wells Fargo all enjoyed the benefits of being able to charge higher rates on credit cards and other loans, while not yet suffering as much of a hit from elevated interest payments to depositors.

JPMorgan and Wells Fargo both reported huge increases in second-quarter profits while Citi experienced a drop, citing an anemic investment banking market as a drag on revenues.

Executives for the banks – which have extensive retail operations throughout the United States – described American households as still fairly healthy. But there are more signs of strain after a lengthy period of elevated inflation and the erosion of savings from pandemic fiscal programmes.

"We have seen payment rates start to come down a bit," Citi chief financial officer Mark Mason said of credit card payments, adding that the hit is greatest among consumers with low credit scores.

Citi's base case is still for a "mild recession" in the US economy, Mason added.

At JPMorgan, profits for the quarter ending June 30 were \$14.5 billion, up 67 per cent from the year-ago period, while revenues were up 34 per cent to \$41.3 billion.

Net interest income (NII), which accounts for the gap between revenues for higher interest rate charges on clients minus the hit from higher interest payments to depositors, jumped 44 per cent to \$21.9 billion.

Tumbling US dollar a boon to risk assets

REUTERS, New York

Cooling US inflation is accelerating a decline in the dollar, and risk assets around the world stand to benefit.

The dollar is down nearly 13 per cent against a basket of currencies from last year's two-decade high and stands at its lowest level in 15 months. Its decline quickened after the US reported softer-than-expected inflation data on Wednesday, supporting views that the Federal Reserve is nearing the end of its interest rate-hiking cycle.

Because the dollar is a linchpin of the global financial system, a wide range of assets stand to benefit if it continues falling.

Weakness in the dollar can be a boon to some US companies, as a weaker currency makes exports more competitive abroad and makes it cheaper for multinationals to convert foreign profits back into dollars.

The US technology sector, which includes some of the big growth companies that have led markets higher this year, generates just over 50 per cent of its revenues overseas, an analysis of Russell 1000 companies by Bespoke Investment Group showed.

Raw materials, which are priced in dollars, become more affordable to foreign buyers when the dollar declines. The S&P/Goldman Sachs Commodity Index is up 4.6 per cent this month, on pace for its best month since October.

Emerging markets benefit as well, because a falling US currency makes debt denominated in dollars easier to service. The MSCI International Emerging Market Currency Index is up 2.4 per cent this year.



"For markets, the weaker dollar and its underlying driver, weaker inflation, is a balm for everything, especially for assets outside the US," said Alvise Marino, foreign exchange strategist at Credit Suisse.

The greenback's tumble has come as US Treasury yields eased in recent days, dulling the dollar's allure while boosting a wide range of other currencies, from the Japanese yen to the Mexican peso.

"That sound you hear is the breaking of technical levels across the foreign exchange markets," said Karl Schamotta, chief market strategist at Corpay. "The dollar is plunging toward levels that prevailed before the Fed started hiking, and we're seeing risk-sensitive currencies melt up on a global basis."

A continued fall in the dollar could boost profits for foreign exchange strategies such as the dollar-funded carry trade, which involves the sale of dollars to buy a higher-yielding currency, allowing the investor to pocket the difference.


The dollar's decline has already made the strategy a profitable one this year: An investor selling dollars and buying the Colombian peso would have collected 25 per cent year-to-date, while the Polish zloty has yielded 13 per cent, data from Corpay showed.

Pareesh Upadhyaya, director of fixed income and currency strategy at Amundi US, is bearish on the dollar while betting on gains in the Kazakhstan tenge, Uruguayan peso and Indian rupee.

"When you look at what's going on right now, the outlook for the dollar remains pretty bleak," said Upadhyaya, who expects carry trades to thrive if the dollar keeps falling.

In the world of monetary policy, the dollar's decline may be a relief to some countries, as it removes the urgency for them to support their falling currencies.

Among them is Japan. The greenback has tumbled 3 per cent against the yen this week and is set for its biggest weekly fall against the Japanese currency since January. Yen weakness has been problematic for Japan's import-reliant economy and raised expectations Japan would again intervene in markets to support its currency after doing so for the first time since 1998 last year.



MAJOR PORTFOLIOS


- » E-commerce: Tk **227**cr
- » Agent banking: Tk **561**cr
- » SME: Tk **12,633**cr
- » Corporate: Tk **35,119**cr
- » RMG: Tk **9,027**cr
- » Retail: Tk **22,772**cr

UCB: AT A GLANCE

- » Number of branches and sub-branches: **369**
- » Number of CRMs and ATMs: **670+**
- » Daily average transaction thru CRM/ATMs: Tk **61**cr
- » Number of agent banking outlets: **564**
- » Number of credit cards: **72,700**
- » Credit card loan outstanding: Tk **400**cr
- » Number of POS: **18,622**
- » Daily average transaction thru POS: Tk **9**cr
- » Number of airport lounges: **7**
- » Number of e-commerce merchants: **3,400**

We will increase focus on our retail and SMEs segment. At present, corporate clients account for 70 per cent of our exposure, while SMEs and Shariah-based finance the rest.

Arif Qaudri
MD and CEO of United Commercial Bank



UCB to widen retail, SME lending

SOHEL PARVEZ

On June 29, United Commercial Bank PLC completed 40 years of its operation. Marking the anniversary, Arif Qaudri, managing director and chief executive officer of UCB, talked about the bank's achievements and future plans as well as the challenges confronting the banking sector, among other issues, during an interview with The Daily Star recently.

DS: It was heartening to see UCB celebrate its 40th anniversary recently. How was the journey?

Qaudri: UCB is one of the largest banks in Bangladesh and has a presence across the country. We have a strong network. This presence has allowed us to serve a diverse range of customers and contribute to the growth and development of the communities we operate in.

We have consistently focused on adopting advanced technologies and modern banking practices to make our services more convenient and accessible to our customers.

UCB has not been affected much by the dollar crisis, which started last year. And we have not failed to keep our word when it comes to settling letters of credit (LCs). It was possible as we started rationing LC opening in line with the projected inflows of foreign currencies. We reached a comfortable position in March.

At this point, we are not opening the LCs as much as we did earlier. But we are trying to keep our all clients satisfied.

Going forward, we will increase focus on our retail and SMEs segment. At present, corporate clients account for 70

per cent of our exposure, while it is 25 per cent for SMEs and 5 per cent for retail and Shariah-based finance.

We will increase the pie of retail and SME financing to 40 per cent and keep corporate financing at 60 per cent.



Arif Qaudri

We are educating SMEs and trying to reduce documentation procedures for them without compromising compliance requirements. We are providing a portion of loans to SMEs without collateral.

DS: UCB showed a good performance in 2022 in terms of profit. What were the reasons and which sectors drove the earnings?

Qaudri: UCB demonstrated impressive resilience and growth potential in terms of revenue and profitability in both 2021 and 2022. The implementation of a 6 per cent and a 9 per cent interest cap on borrowing and lending presented a significant challenge to the industry's profitability.

However, we managed to achieve positive growth, building on the previous year's success. In 2022, UCB experienced an 18 per cent revenue growth and a 27 per cent increase in net profit-after-tax to Tk 402 crore.

Loans and advances witnessed a 16 per cent growth to Tk 46,860 crore.

As was the case for most banks, UCB's major source of income comes from interest earned on loans and advances. In 2022, our income from loans and advances grew 15 per cent, accompanied by satisfactory growth in interest income on government securities and commissions or fees.

Over the years, we have established a strong customer base in the garment sector and the service industry, which contribute a significant portion to our portfolio. Additionally, we have a large customer base in the SME sector, which also contributes to our profitability.

However, the current year has been tough because of the impact of the war in Ukraine and the drastic fall in imports. Besides, the tendency of some borrowers to repay loans has reduced this year. I think the overall situation in the banking sector was not good in the first six months of 2023.

DS: We see that the NPL ratio of UCB rose in 2021 and 2022 after a massive fall in the previous two years. What were the reasons?

Qaudri: In 2020, Bangladesh Bank advised scheduled banks to suspend adverse classification of loans and advances till December 31 of the same year in order to facilitate business activities following the coronavirus outbreak.

Complying the same, UCB did not make any new classification in 2020. This temporary relief negatively impacted the NPL position in the later part of the following year as non-performing

READ MORE ON B2

Defining character of a relationship manager

MAMUN RASHID

Banking has become relationship manager (RM)-driven in Bangladesh over the last three decades whether it is corporate, commercial, or retail banking. Large clients in corporate or wealth management segments demand very personalised or structured product support backed by world-class service.

The role of an RM is very crucial in providing personalised financial services to both individual and institutional clients. In today's world, comprising a wide range of complex financial products, an RM should assume more responsibilities than just being a salesperson.

To start with, developing a deep understanding of each client's financial situation, risk appetite, investment objectives and financing needs is of utmost importance.

In the case of institutional clients, it is also imperative that the RM understands the industry in which the client is operating, stays updated with market trends, and has ideas about the challenges that they may be faced. It is through the acquisition of such knowledge that an RM will be able to provide valuable insights and tailored guidance to their clients.

The responsibilities of an RM don't end with providing a financial solution to a client. Rather, regularly reviewing and adjusting investment strategies to keep up with the evolving market conditions and client goals is another key duty.

Given the nature of their job, RMs play a vital role in helping clients achieve their financial aspirations. And as such, they need to possess the ability to build trust and create an environment of empathy.

With more than 25 years of banking credentials, I still identify myself as a humble RM. My esteemed clients whom I served in those days still are reciprocating by diverting a portion of their business to our consulting business. This is the beauty and incentive for an RM.

Today, I would like to remember a few exceptionally bright and committed RMs. They are not mere sales managers but ring-fencing managers for their banks through specially structured products and solutions. In fact, they all are a defining character for an RM in Bangladesh.

The name that came to my mind instantly was that of late Shams Zohan from Standard Chartered Bank. Zohan, who had a premature death in the early thirties due to leukaemia, even phoned central bank officials in Bangladesh from the hospital bed in Singapore, advocating for a client's case to remit money outside the country and repeatedly reassuring us.

I met Otish Asif Rahman, an RM at The City Bank Limited, at 1 am at a hospital in the capital, trying to convince the authority to keep the body of an esteemed client in its morgue as all of his children were abroad. Later I found out that Otish was rated by everyone in the deceased's family as a trusted adviser almost on all accounts.

While I have only cited two examples, I would appreciatively remember the brilliant RMs in the banking industry: Zaid Amin, Reza Ahmed, Mahbub-ur-Rahman, Naser Ezaz Bijoy and Abrar Anwar. They all will be remembered not because they served their clients well, but also, at times, cautioning the clients not to venture into uncharted territories or not to go for unrelated expansions.

They all went the extra mile and spent extra hours for their cross-border as well as local clients. It was not all about opening letters of credit and disbursement of emergency loans for them, but also how they should run businesses prudently with eyes on the future.

The author is an economic analyst

Russia plans to cut oil export

REUTERS, Moscow

Russian oil exports from western ports are set to fall by some 100,000-200,000 barrels per day next month from July levels, a sign Moscow is making good on its pledge for fresh supply cuts in tandem with Opec leader Saudi Arabia, two sources said on Friday, citing export plans.

Opec and major producers including Russia, together known as Opec+, have been cutting supply since November to support prices. Moscow this month pledged to cut exports by 500,000 bpd in August, while Saudi Arabia extended its 1 million bpd output cuts.

As Russia did not reveal the baseline for its cut, analysts and traders had said it would be difficult to monitor. But according to trading sources and Refinitiv Eikon data, the August cuts will deepen export reductions between

READ MORE ON B2

India ties up with UAE to settle trade in rupee

REUTERS, New Delhi

India has signed an agreement with the United Arab Emirates that will allow it to settle trade in rupees instead of dollars, boosting India's efforts to cut transaction costs by eliminating dollar conversions.

During a visit by India's Prime Minister Narendra Modi to the UAE on Saturday, the two countries also agreed to set up a real-time payment link to facilitate easier cross-border money transfers.

The two agreements will enable "seamless cross-border transactions and payments, and foster greater economic cooperation", said a statement from the Reserve Bank of India on Saturday.

India, the world's third biggest oil importer and consumer and whose central bank last year announced a framework for settling global trade in rupees, currently pays for UAE oil in dollars.

Bilateral trade between the two countries was \$84.5 billion in the year from April 2022 to March 2023.

An official with knowledge of the details of the agreement said India could make its first rupee payment for UAE oil to Abu Dhabi National Oil Co (ADNOC), Reuters reported on Friday.

The Reserve Bank of India said the two central banks agreed to link India's Unified Payments Interface (UPI) and UAE's Instant Payment Platform (IPP).

Such arrangements, which are a growing trend in Asia, typically lower the cost of payments.

Modi landed in Abu Dhabi earlier on Saturday for a one-day visit and met President Sheikh Mohamed bin Zayed Al Nahyan.



UAE President Sheikh Mohamed bin Zayed Al Nahyan and Indian Prime Minister Narendra Modi meet during an official visit reception at Qasr Al Watan, Abu Dhabi yesterday.

PHOTO: REUTERS