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## PVT SECTOR'S FOREIGN BORROWING Waning appetite to put pressure on reserves

REJAUL KARIM BYRON

The private sector's shrinking appetite for foreign loans is likely to put further pressure on the country's strained dollar stockpile, according to bankers and experts.

At the end of March, the private sector's external debt obligations stood at \$22.18 billion, down from \$24.31 billion recorded three months earlier, according to data from the Bangladesh Bank.

Short-term loans, which have a maturity of three to six months, account for 63.5 percent of the sum.

But thanks to the strained dollar stockpile, sharp devaluation of the local currency and higher interest rates, short-term loans are being discouraged by the central bank.

"Those are constantly rolled over -- new credit would come in and that would help pay off the old amount," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

Now, the repayment for the private sector's foreign loans would have to come from the reserves.

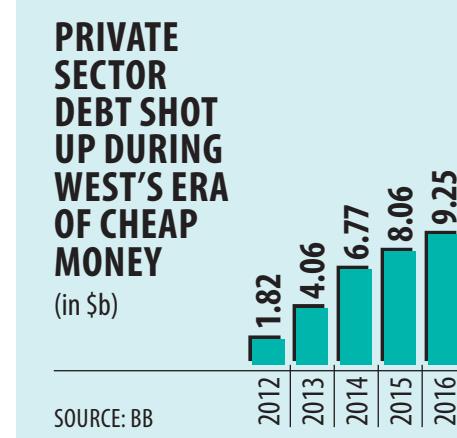
"This will put further pressure on the reserves," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

As of July 12, gross foreign reserves stood at \$23.57 billion, enough to cover about three months' import bills, according to data from the BB.

Compounding matters is the private sector's jump in foreign loans amid the pandemic thanks to the low interest rates in much of the Western world.

At the end of 2020, the private sector's external debt obligations stood at \$14.76 billion. Over the next year and a half, it hit a peak of \$25.95 billion.

It began to decline in the third quarter of 2022 as central banks



around the world started to increase interest rates to tame inflation.

Many of those loans are set to start repayment soon.

"Difficult times lie ahead -- how the government would manage the dues next year has become a critical issue," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Mansur, also a former chairman of Brac Bank, is puzzled why the private sector is being discouraged from taking short-term foreign loans.

"There is not much to worry about the private sector. Only those who have the ability to pay foreign loans get it."

In fact, the private sector's increasing foreign loans was a positive sign, said Mansur, a former economist of the International Monetary Fund.

At the turn of the century, the private sector's foreign debt was about \$1 billion and it hovered around that mark until 2012, when it stood at \$1.82 billion. It grew steadily in the following years and then got a massive jump during the pandemic.

"The amount is nothing unusual. We jumped out of a well and into a pond. We want to swim in the river and the sea. It is a good sign as before, no one would lend to us," Mansur said.

Rahman says getting foreign loans made more sense for companies.

"The interest rate was about 1 percent whereas at home it was 9 percent. Between 2012 and 2021, the devaluation of the taka was not more than 1.5 percent. It was much safer and cheaper to borrow from abroad."

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## Ahad's ordeal finally over after 25 yrs

A Dhaka court acquits the 52-yr-old farmer implicated in narcotics case

STAFF CORRESPONDENT

After 25 years of fighting a narcotics case against him, Ahad Ali is finally relieved of his ordeal.

The 52-year-old farmer from Rajshahi's Godagari had spent almost half his life shuttling back and forth between Rajshahi and Dhaka to appear before a court to fight the case, the charges of which he was acquitted from by a Dhaka court last month.

Judge Md Akhtaruzzaman of the Special Judge's Court-2 in Dhaka in a verdict on June 19 acquitted Ahad of the charges of possessing heroin as the prosecution failed to prove the allegation, bringing an end to the unfathomable stress that he had endured for the last 25 years.

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BNP brings out a mourning procession in the capital's Nayapaltan area yesterday afternoon in memory of Laxmipur Krishak Dal leader Sajib Hossain. He was killed in a clash between the BNP and AL activists when BNP supporters marched demanding resignation of the government on Tuesday.

PHOTO: AMRAN HOSSAIN

## ROAD MARCH PROGRAMME BNP not sure if it'll bring results

Top leaders happy with response so far

MOHAMMAD AL-MASUM MOLLA

The BNP got a response beyond its expectation from its grassroots and the general public during its two-day march programme, according to the party's top brass.

They said BNP leaders and activists did not leave the street even after being attacked by the ruling party men and law enforcers.

This attitude of the party's grassroots inspires them to go for tougher programmes to realise their one-point demand for election under a non-partisan interim administration, they added.

However, they are in a dilemma over when to go for tough programmes -- before or after the announcement of the election schedule.

Members of the BNP standing committee, the highest policymaking body of the party, held a meeting on Wednesday night to assess the programmes and discuss what to do next.

"Yes, we got a good response from our programmes but through such programmes, it would not be possible to realise our demand," said a standing committee member, wishing not to be named.

The member also said the start of the movement for their one-point demand was beyond their expectations

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