

Star BUSINESS

The core objective of Bata is not only to make shoes for profit but also to contribute to the community, said a senior official.



Story on B4

DOLLAR RATE MANIPULATION Treasury chiefs of 10 banks fined

STAR BUSINESS REPORT

Bangladesh Bank recently decided to impose a fine on the treasury heads of 10 banks due to their involvement in manipulating the exchange rate between the taka and the US dollar.

As such, the treasury heads of Social Islami Bank, Al-Arafah Islami Bank, Modhumoti Bank, Mercantile Bank, Midland Bank, Brac Bank, Exim Bank, Premier Bank, Shahjalal Islami Bank and Trust Bank will face fines of Tk 1 lakh each.

On condition of anonymity, a central banker said the treasurers' explanation regarding their involvement in manipulating the US dollar rate was not satisfactory.

"That is why the central bank imposed a fine."

In a letter on September 18, Bangladesh Bank asked the managing directors of 10 banks to explain why their treasury heads should not be penalised for their involvement in US dollar rate manipulation this year.

The banking regulator had said: "Your bank's treasury head cannot avoid their responsibility in the case of foreign exchange transactions at a higher rate than the declared rate."

With this backdrop, the central bank asked them to give appropriate explanations within five working days upon issuing the letter as to why

Section 109 (7) of the Bank Company Act 1991 states that the banking regulator can impose a maximum fine of Tk 1 lakh for such violations.

action should not be taken against their treasury heads.

Section 109 (7) of the Bank Company Act 1991 states that the banking regulator can impose a maximum fine of Tk 1 lakh for such violations.

However, this is not the first time the central bank has taken this position on allegations of US dollar manipulation by banks.

Last year, it sought explanations in this regard from 12 banks, namely Dutch-Bangla, Prime, City, Southeast, Brac, Standard Chartered, NCC, HSBC, Mercantile, Dhaka, United Commercial and Bank Asia.

Bangladesh Bank then asked Dutch-Bangla, Southeast, Prime, City, Brac and Standard Chartered to transfer their treasury heads to their human resources department.

However, the central bank later backtracked on this decision.

Since last year, the Bangladesh Foreign Exchange Dealers Association and Association of Bankers Bangladesh have been fixing the US dollar rate upon unofficial directions from the central bank.

On August 31, the two organisations decided to enforce a uniform exchange rate from September with the buying rate set at Tk 109.5 while the selling rate was Tk 110.

The two bodies then revised the buying rate to Tk 110 per dollar and selling rate to Tk 110.50 per dollar.



Farmers have started harvesting their jhum paddy in the Chattogram Hill Tracts as the crop has begun to ripen. Commonly practised by indigenous peoples of South Asia, the jhum agriculture system involves clearing and cultivating a small patch of land for a short period and then abandoning it until the land reverts to its natural vegetation, while the farmer cultivates another plot. Indigenous jhum cultivators prepare their land and sow seeds in April and harvest the crop from September to November. The photo was taken at Mogban union in Rangamati sadar upazila yesterday.

PHOTO: LALTANLIAN PANGKHUA

Default loans hit an all-time high

MD MEHEDI HASAN

Non-performing loans (NPLs) in Bangladesh's banking sector hit a new record in June as withdrawal of a relaxed central bank policy, slowdown in business sales and deliberate non-payments pushed up the volume of bad loans to Tk 1,56,039 crore, central bank data showed.

This was the highest NPL in the country's history with the previous high of Tk 134,396 crore recorded in the third quarter of last year.

In the three months to June this year, Tk 24,419 crore loans turned sour alone.

At the end of June, NPLs accounted for 10.11 percent of the total credits disbursed, according to the latest data from the Bangladesh Bank. Outstanding loans stood at Tk 15,42,655 crore.

In Bangladesh, a lack of good governance, relaxed policies pursued by the central bank, political interference and irregularities have largely been responsible for the upward trend of NPLs.

The volume started to go up after the withdrawal of a central bank relaxation on loan classification introduced amid the Covid-19 pandemic.

On the other hand, bankers say, borrowers are not interested in repaying bank loans using the ongoing economic situation as an excuse.

Moinul Islam, a former professor

of economics at the University of Chattogram, thinks this is not the actual figure of bad loans because it does not include a huge volume of credits stuck in money loans court.

"If the entire amount of the loans involved in the court cases and the write-off loans are taken into consideration, the total bad loans in the banking sector will be Tk 450,000 crore."

He says the volume of bad loans will not

rescheduled and write-off loans.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, says the overall economic situation is going through a difficult time now owing to external and internal factors and the growing NPLs is not a good sign for the economy.

He said that local businesses face multiple problems now as their sales have got stressed, making them unable to pay

bank loans. "Many borrowers failed to export in recent times, which have turned their loans secured against letters of credit into forced loans. Those credits have now become default loans."

An escalated level of NPLs has dire consequences for the economy as well as the financial system.

According to the Asian Development Bank, a buildup of NPLs poses a risk to banks' balance sheet health and financial soundness.

NPLs reduce interest income, lower profitability, and deplete banks' capital bases. They also require higher risk weights and minimum loss coverage in banks' capital requirements, straining liquidity and increasing funding costs. With less money available to extend new loans, banks' capacity to lend and make profits is further constrained, it said.

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NPLs totalled Tk 1,56,039 crore in June, the highest in the country's history. The previous high of Tk 134,396 crore was recorded in the third quarter of last year

come down unless strict actions are taken against the top defaulters.

The distressed assets in the banking industry stood at Tk 3,77,922 crore in 2022, according to BB's Financial Stability Report 2022. The distressed assets are calculated considering the total NPLs, outstanding

TV sales down despite Cricket World Cup

JAGARAN CHAKMA

With just days to go before ICC Cricket World Cup 2023, television purchases should have naturally picked up by now, with demand primarily expected to arise from sports enthusiasts trying to make do with limited means.

However, sales in September were 30 percent lower than that in the same month last year, which market insiders attribute to people tightening their belts to cope with the inflation-induced rise in the cost of living.

Tuning in to the matches on a new TV could come with a hefty price tag, as the Consumer Price Index has gone up 9.02 per cent in 2022-23, the highest average inflation rate in 12 years, according to the Bangladesh Bureau of Statistics.

The local consumer electronics market is dominated by companies such as Walton Group, Transcom Digital, RANGS eMART, Best Electronics, MyOne Electronics Industries, Jamuna Electronics, VISION Electronics, Esquire Electronics and Electra International.

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Products of foreign companies such as Samsung, LG, General, Sharp and Whirlpool are also popular among local consumers.

"No only TV but also overall electronic home appliance sales witnessed a dull season in September...around three months past Eid-ul-Azha," said Ritesh Ranjan, head of business at Transcom Digital.

Overall TV sales were not that good due to inflationary pressure, with TV prices having increased by around 32 per cent over the past year due to the devaluation of the taka against the greenback, he said.

However, sales of high-end TVs, particularly those with screens of over 55 inches, is slight better than the regular ones, he said.

Transcom Digital is trying to attract customers offering cash discounts, gifts and match tickets, including one for the Bangladesh-Pakistan game coupled with a one-night hotel stay, he said.

This offer is only for Transtec and ROWA brands, he said, citing that they have targeted a sales growth of at least 10 percent during the tournament.

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STOCKS	
DSEX ▼	CASPI ▼
0.31%	0.10%
6,264.90	18,560.62

COMMODITIES		AS OF FRIDAY
Gold ▼	Oil ▼	
\$1,848.82	\$90.78	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.49%	▼ 0.04%	▲ 0.32%	▲ 0.10%	
65,828.41	31,857.62	3,217.41	3,110.48	



Different factors like calorie intake, transportation costs, house rent and food costs have to be brought under consideration for fixing the new salary of garment workers.

PHOTO: STAR/FILE

Board yet to propose minimum RMG wage

STAR BUSINESS REPORT

A board formed for recommending the minimum wage for garment workers could not come up with any proposal on the monthly rates even at its third meeting held in Dhaka yesterday.

The board's tenure expires on the 9th of this month.

The board was formed on April 9 this year for a six-month tenure for recommending a new salary structure for the over 4 million garment workers of Bangladesh.

However, Liaquat Ali Mollah, chairman of the Minimum Wage Board, said he was hopeful of representatives of both garment factory owners and workers proposing the salaries in the next meeting, to be held on the third week of this month.

Talking to journalists at his office in the capital after yesterday's meeting, he also said the minimum wage would be finalised through consultations among the representatives and board members by mid-November.

For an annual increment of 10 percent to 15 percent, as demanded by the union leaders, the government will have to amend the labour law as it currently allows up to 5 percent, said Mollah.

On workers demanding basic salary to be increased by 60 percent to 65 percent, he said the board would determine it through

consultations among its members.

Regarding a demand for reducing the pay grades to five from seven, Mollah said there were 20 grades in public service and any such reduction would have to be brought about through discussions in the board.

While the meeting was taking place, different organisations of workers were chanting slogans in front of the office demanding hiking the minimum monthly salary to up to Tk 25,000.

The board was formed on April 9 this year for recommending a new salary structure for the over 4 million garment workers of Bangladesh within six months

They expressed anger over the delay in finalising the wages and handed over a proposal to the board chairman to press home their demands.

Only three meetings of the board took place although the provision states that the minimum wage should be announced within six months, said Garment Workers Trade Union Centre in a press release yesterday while demanding the Tk 25,000 minimum wage.

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