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Bangladesh retains top position in garment export to the UK in terms of volume but exporters get low prices.

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Reserves fall after \$1.27b ACU payment

STAR BUSINESS REPORT

Bangladesh's foreign exchange reserves fell to \$20.38 billion yesterday after the central bank settled import bills of two months through Asian Clearing Union (ACU), a top official said yesterday.

Bangladesh Bank (BB), the country's central bank, cleared \$1.27 billion in import bills through the ACU, an arrangement for settling transactions among eight countries, including India, one of the largest trading partners of Bangladesh.

The amount of forex reserves was \$21.7 billion on January 3 as per the calculation method of the IMF

The amount of forex reserves was \$21.7 billion on January 3 as per the calculation method of International Monetary Fund.

However, if the BB's method for the calculation is used, the country's gross foreign exchange reserves declined to \$25.65 billion yesterday, from \$26.9 billion on January 3, said the central bank official.

The current forex reserves in Bangladesh will cover import bills of more than three-months, which is considered by the IMF as a minimum reserve for a low-income country.

Bangladesh's foreign exchange reserves have been receiving attention of various stakeholders in the face of a gradual fall over the last two years as its obligation to international payments continued to remain above the inflows.

Inflation stays stubborn despite rate hikes. Can it be tamed?

Bangladesh Bank plans to release new monetary policy statement in mid-January

MD MEHEDI HASAN

When Abdur Rouf Talukder unveiled his first monetary policy statement as the governor of the central bank in January last year, inflation was already above 8.5 percent. Since then, he presented one more statement and raised the benchmark lending rate eight times.

However, the Consumer Price Index (CPI) has not come under control. Rather, it shows no sign of slowing down.

Amid the raging inflation, the former finance secretary is going to present the MPS for the January-June period next week and it comes at a time when most of the targets fixed in the previous policy have remained unmet.

The banking regulator took opinions from economists, stakeholders, business leaders and journalists in the last two months to formulate the new policy amid the ongoing economic crisis.

BB's monetary policy committee, which was restructured recently, will hold its final meeting tomorrow to draw up the MPS. The draft is likely to be presented to the central bank board on January 14 before making it public on January 15.

The new MPS is going to face tougher challenges when it comes to taming inflationary pressures, despite the BB hiking the policy rate by more than 400 basis points in two years and scrapping the lending rate cap.

Inflation stood at 9.49 percent in November, way above the government target of 6 percent for 2023-24, which ends in June.

TARGETS MISSED

- Inflation is still high
- Private credit growth is below 10%
- Exchange rate instability yet to ease

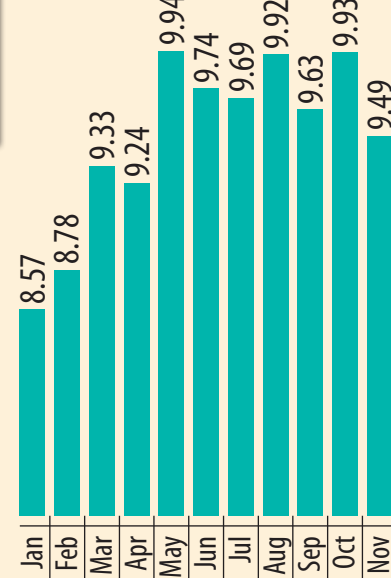
MAJOR CHALLENGES

- Volatility in exchange rate
- High inflation
- High NPL ratio
- Liquidity crisis in banks
- Financial accounts staying in negative territory



Inflation in 2023

In%, SOURCE: BBS



It stood at more than 9 percent since March.

Two other key challenges for the governor are the sharp drop in the foreign exchange reserves and the taka's value against the US dollar.

On Monday, the reserves stood at \$20.38 billion after the Asian Clearing Union payments, which was \$40.7 billion in August 2021.

Amid the drying up of reserves, the local currency has weakened by more than 27 percent in the past two years.

Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, said the BB

has recently taken three bold monetary policy actions to fight inflation.

It eliminated the controversial "6/9" interest rate policy, adopted a flexible interest rates policy and avoid the use of BB resources to finance the budget deficit, he said.

"The main focus of the MPS should be to facilitate the sound implementation of these major changes. The interest rate should be allowed to go up until the desired inflation rate of 5-6 percent is achieved."

In June when the BB unveiled the last MPS, it was largely in line with the recommendations of the International Monetary Fund's \$4.7 billion loan programme.

The 9 percent lending rate ceiling was removed after three years and the banking regulator introduced a new rate-setting system, known as the Six-months Moving Average Rate of Treasury bill (SMART).

The central bank has allowed banks to add a maximum of 3.75

percent interest margin to the benchmark rate while lending.

The BB also had hiked the policy rate, or the repo rate, to 6.50 percent from 6 percent in the MPS. It was later increased twice to 7.75 percent.

The central bank promised to introduce a market-based exchange rate by September last year. But it is yet to be implemented although the volatility continues.

Now the Bangladesh Foreign Exchange Dealers Association (BAFEDA) and the Association and Bankers Bangladesh (ABB) are fixing the dollar rate. The mechanism is not working, said experts.

The MPS projected a 10.90 percent private sector credit growth as of December last year. In November, the growth stood at 9.9 percent, central bank data showed.

The banking regulator has identified three challenges – the exchange rate instability, high

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Doorstep fuel delivery plan is fraught with risk

Experts express safety concern as govt frames guideline to let customers purchase fuel online

ASIFUR RAHMAN

The government has approved a guideline, allowing suppliers to deliver fuel oils to the doorsteps of consumers after receiving orders online, a move that raises concerns since carrying flammable items in such a manner poses risks.

Thanks to the initiative, people will receive petrol, octane, diesel, and lubricant items by ordering them through mobile apps like the way they purchase groceries and other necessary items.

It will take some time to translate the plan into reality since the government has just initiated the process of appointing suppliers or distributors, according to the guideline published on January 3.

Energy experts and petrol pump owners, however, expressed concerns since such a home delivery poses a high risk of explosion and many countries have banned the transportation of fuel oil in jerry cans.

The initiative comes two months after the government allowed the private sector, for the first time, to import, store, distribute and sell fuels. So far, state-run Bangladesh Petroleum Corporation (BPC) has been the sole importer of fuel oil.



According to the guideline, consumers must register to receive the home delivery and suppliers will be allowed to deliver the products in jerry cans that can hold 15 to 25 litres of fuel.

The fuels can't be carried in plastic or steel-made drums.

Companies will require approval from the BPC through one of the three state-owned oil distributors – Padma, Meghna and Jamuna – to act as suppliers.

After securing the nod, suppliers will get six months to go into commercial operation.

"As of Tuesday, none applied for registration. We hope it will be popular gradually," said Anupam Barua, director for marketing at BPC.

He said the move aims at bringing the fuels to the doorsteps of consumers at the same prices as with

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Govt prepares roadmap for economic stability

Finance minister says

STAR BUSINESS REPORT

The government has prepared a roadmap to maintain economic stability, an issue that will pose a challenge to the new government, Finance Minister AHM Mustafa Kamal said yesterday.

"There are definitely a lot of ideas for the actions that the new government can take, but I don't want to say that right now," he said after returning to office following Awami League's fourth straight win in the elections.

"The PM has said that the biggest challenge for us is restoring economic stability. We have to keep the economy strong, maintain our pace and make sure that it does not go off track," he added.

He also said that they were going to take steps to increase revenue collection and the foreign currency reserve.

"Even after all these ups and downs, we have \$25.26 billion (in the reserve). This year, we will not let it stay below \$30 billion. Our idea is to keep the reserve at \$30 billion and above. This is very much possible."

When asked about the government being unable to fulfil the terms set out by the International Monetary Fund, he said that it is not always possible to fulfil all the conditions.

One of the conditions set out by the IMF was to maintain a threshold of net foreign currency reserve, but Bangladesh could not fulfil that condition in the June or December reviews last year.

Queried about sanctions from the USA, he replied: "If someone commits a crime, then there is a punishment. Bangladesh has not done anything wrong."

He also responded to questions regarding inflation, which has been at above 9 percent since

"Inflation will be there. Inflation is needed to run the economy. It cannot run without inflation. How much is our inflation right now? How much has it increased? For 8-10 years, we kept inflation to 6 percent. There cannot be a better statistic than that."

Replying to a question about the banking sector, the finance minister said: "We have ensured reforms in the banking sector and we are still alive because of them."

When asked about who the finance minister would be under the new government, he replied that he did not know and that the prime minister would decide.



IDRA removes two-thirds of Swadesh Insurance directors over fund scam

SUKANTA HALDER

The Insurance Development and Regulatory Authority (IDRA) has relieved 12 of the 18 directors of Swadesh Islami Life Insurance Company, including its chairman, of their duties over allegations of embezzling fixed deposits and breaching the insurance act.

The order comes into effect from January 4, when separate letters signed by Abdul Majid, IDRA director for law, were sent to the directors.

The remaining directors will now have to run the company and simultaneously work to form a new board, Zahangir Alam, spokesperson of IDRA, told The Daily Star on Monday.

The accused directors include the chairman, Maksudur Rahman and vice-chairman Shahidul Ahsan. Others named are Nurul Alam Chowdhury, Baharul Ahsan, Marjanur Rahman, Farah Ahsan, ABM Abdul Mannan, Shamsun Nahar Rahman, Ferajul Ahsan, Kamrul Ahsan, Mohammad Manjurul Islam and Madina Tun Nahar.

The company took a loan of Tk 14.30 crore from NRBC Bank against a fixed deposit of Tk 13.05 crore, which was the company's paid-up capital, according to the IDRA letter.

However, as per Insurance Act 2010, paid-up capital has to be kept free of liability.

Moreover, the loan was not shown in the balance sheet, so it appears that it was allegedly embezzled, the letter added.

In a letter sent on December 4, 2023, IDRA sought explanations by December 11 to justify why the accused should not be relieved of their duties.

The accused had not provided a response.

Another letter, sent on January 4 this year, stated that the activities of the accused proved to be harmful to the company and policyholders.

Maksudur Rahman could not be reached for the comment.

The insurer's chief executive officer, Mohammad Jamal Uddin, said the remaining board members would have to resolve the crisis.

IRREGULARITIES

- Swadesh Life borrowed Tk 14.30cr against Tk 13.05cr paid-up capital kept as FDR
- Rules stipulate that there should be no liability against paid-up capital
- Funds withdrawn were not shown in balance sheet

RECONSTRUCTION OF BOARD

- 12 directors did not reply to IDRA notice related to the irregularities
- Regulator removed the 12 directors, including chairman, on Jan 4
- IDRA yesterday instructed the insurer to form a new board

CLAIM SETTLEMENT

- The settlement rate was 37% as of September of 2023
- Insurer settled 48.15% claims in 2022
- The rate was 42.61% in 2021



He declined to comment on the alleged embezzlement, saying it was now a legal matter.

IDRA passes instructions to form the new board on January 9, he added.

A senior IDRA official, on condition of anonymity, said NRBC Bank informed them about the loan two-three months ago after which IDRA initiated an investigation.

The Tk 14.30 crore loan has been taken in phases since 2014, when the company was formed, said the official.

A letter was also sent to the Bangladesh Bank governor recently seeking necessary steps against NRBC Bank, as it had approved the loans without due diligence, added the official.

Meanwhile, Swadesh was one of five insurers which IDRA, through a letter sent on

December 19 last year, had asked not to spend any income from premiums, investments and life funds unless policyholders' claims were settled by the end of 2023.

"Despite repeated instructions to pay insurance claims, there has been no improvement in the settlement of claims of the company," read the letter.

An IDRA official told The Daily Star that the major hurdle behind claims remaining unsettled at Swadesh was a lack of willingness and an ongoing liquidity crisis.

Swadesh settled 50 percent of its total claims in 2020, which fell to 48.15 percent in 2022, according to an IDRA document.

It settled 37 percent of claims until the third quarter of 2023, paying Tk 31 lakh against claims amounting to Tk 86 lakh, it said.

GP backs out of Tk 30 minimum recharge

MAHMUDUL HASAN

Amidst widespread customer dissatisfaction alongside regulator's intervention, Grameenphone yesterday backtracked from its recent decision to substantially increase the minimum recharge amount to Tk 30.

Numerous customers had taken to social media to express their frustration and anger at the 50 percent hike.

"It is a very bad decision. Many of the poor people recharge Tk 20, but now they will face difficulty," Md Shahin, a customer of Grameenphone, told The Daily Star.

This development has been communicated to users primarily through notifications on the MyGP app. Grameenphone's dedicated mobile application for customer services.

The decision was scheduled to come into effect from today.

However, late last night the operator said it had backtracked.

"We are not implementing it and it will be discussed with BTRC now. We will take further decisions based on that discussion," Sharfuddin Ahmed Chowdhury, head of communications at Grameenphone, told The Daily Star.

"It should be noted here that we have considered the minimum balance recharge of Tk 30 and at the same

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