

# Star BUSINESS

Proportion of women who have MFS accounts fell over the past five years despite sharp growth in the number of accounts



Story on B4

## Merger of banks: who wins, who loses?



THE WEEKLY VIEW

AHSAN HABIB

Padma Bank, which has been creaking under the burden of non-performing loans, is going to be taken over by Exim Bank, while some other weak banks may follow suit as part of a central bank's move to restore governance in the crisis-hit banking sector.

Although the word merger is being used by the authorities, it would ultimately be an acquisition where Exim Bank will buy Padma Bank and the latter would one day cease to exist.

Although there are examples both at home and abroad of successful mergers, the latest move in Bangladesh has raised questions about who will emerge as a winner and who will be a loser.

Initially, it is the general stock investors who might be at the receiving end of the process while the loan defaulters, whose misdeeds are largely responsible for Padma Bank's current misfortunes, might come out victorious.

Weak banks usually cannot get rid of an unsustainable level of NPLs, lower efficiency of people and weak corporate culture overnight. Therefore, the acquirer bank will have to reshuffle its business priority and will take on the monumental task of instilling sound corporate culture into troubled branches. As a result, the acquirer's profit may suffer.

If the government purchases the NPLs of the weak bank, the acquirer will still have to operate with the regular borrowers of the weak bank who don't follow a good corporate culture.

The case of forming Bangladesh Development Bank Ltd (BDBL) after the merger of two state-run lenders – Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha – showed how difficult it is to gain good health even after combining two weak



**MERGERS:**  
who will be impacted and how?

- Stock investors of acquirer banks as profits, dividends may shrink
- Borrowers of acquirer banks as costs will rise
- Taxpayers' fund may be used to buy NPLs of the weak banks

firms into a new entity. BDBL is still struggling 14 years after the merger due to the huge default loans.

The bad performance of the acquirers ultimately hits their stock investors because they may fail to retain their consistency in giving out handsome dividends. As a result, their shares may take a beating. So, the question arises as to why a general investor who invested in a good bank will bear the burden of weak ones.

According to the central bank's guidelines on the merger or amalgamation of banks and financial institutions, the parties will have to get approval from their shareholders.

If the acquisition proposal is put to the vote during the annual general meeting or extra general meeting, the scheme of acquisition has to be voted yes by a majority, representing three-fourths in value of the members present.

But the question is whether any rational shareholder of a well-performing bank will allow the purchase of a weak bank. The answer should be a straightforward "no" since it will hurt their investment.

However, the history of getting agenda passed in shareholders'

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A woman measures a panjabi to check whether it is the correct size at an outlet inside Bashundhara City shopping complex in Dhaka yesterday. Sellers said sales were picking up ahead of Eid-ul-Fitr, but had yet to peak.

PHOTO: RASHED SHUMON

## Bangladesh's biggest shopping festival begins as Eid nears

AKANDA MUHAMMAD JAHID and SUKANTA HALDER

Shopping malls in Dhaka are bustling with customers of all ages as sales have gained momentum since Friday as people prepare to celebrate Eid-ul-Fitr, one of the biggest religious festivals in Bangladesh.

Shoppers started thronging shopping malls in different parts of the capital, including Dhanmondi, New Market, Farmgate, Panthapath, and Gulistan, looking to buy clothing items.

The number of shoppers has been increasing since Friday, said brands and retailers. But with about 18 days left until Eid, consumers are yet to start buying clothing items in large quantities, they said.

"Shopping will start in full swing from the 20th Ramadan, which falls on March 31," said Riaz

Hossain Raju, branch manager of an outlet of Lubnan, a clothing brand, at the Bashundhara City shopping complex.

Al Amin Hossain, a private university student, said he had

get my preferred colour, I will not buy a panjabi today," he said while speaking to The Daily Star at a showroom of Gentle Park in Bashundhara City yesterday.

"As Eid is still a couple of weeks

shoppers said they would only buy clothes if they found a suitable price, colour and quality.

Faridul Islam, a private jobholder, said he bought a pair of pants for himself and a sari for his mother.

"Now I am looking to buy a panjabi for my father."

Shafiqul Islam Apu, manager of a clothing and shoe shop named Marooned at AR Plaza in Dhanmondi, said sales were now happening on a small scale.

"We are hoping for full scale sales from 10 days before Eid."

Echoing Apu, Nurul Islam, in-charge of an outlet of Richman at Bashundhara City, said jobholders did not get their salaries yet since it is the middle of the month. He expected a boost in sales in the last 12 days of Ramadan.

The number of shoppers usually remains high on Friday.

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been looking for a blue and white panjabi across shopping malls in Dhaka city, but could not find one that he liked.

"I have visited outlets of several brands but I have not found the colour combination. If I don't

away, I will buy it another day."

Not only a panjabi, Hossain plans to buy clothing items for his family members. "I am not in any hurry since there are many days left until Eid."

Like Hossain, multiple

## WEEKLY INTERVIEW



Yuji Ando

### Jetro concerned over hassles in salary payment

JAGARAN CHAKMA

Foreigners working in Bangladesh are already finding it difficult to obtain visas and work permits. And a new plan of the government aimed at full salary disbursement locally for such employees may deal a further blow to the expatriate community, said a top official of the Japan External Trade Organisation (Jetro).

In an interview recently, Yuji Ando, the country representative of the Jetro, said Japanese expats in Bangladesh usually receive salaries in two portions: one in the country and the other in Japan.

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## Govt aims for a cashless economy by 2031

BB official tells BASIS workshop

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The government has set a target to transform the country into going completely cashless, that is when payments will be made solely online, by 2031, said a top official of Bangladesh Bank.

"The honourable prime minister has set a target of achieving 30 percent of transactions in the cashless format by 2025 and 100 percent by 2031," said Md Mezbaul Haque, executive director of the central bank.

The cabinet has assured the banking regulator of its support through interventions wherever necessary, he told a workshop titled "Way Forward to Increase Cashless Payment" organised by the Bangladesh Association of Software and Information Services (BASIS) on its Dhaka premises.

Haque criticised banks' app promotional initiatives, saying that most of their Dhaka branch officials do not know anything about their own apps.

"I acknowledge that many banks have very beautiful apps...they are not marketing it. The use of apps is mainly confined to fund transfers. But the smoothest service is over making payments, which is not being used," he said.

That means customers are being



### KEY POINTS

Govt targets 100% cashless transaction or payment by 2031

Aims for 30% cashless transaction within 2025

Bangla QR infrastructure is ready

### RECOMMENDATIONS

Banks should popularise their apps

BB-NBR collaboration is needed

Merchants and customers should be offered incentives for digital payment

taught only to transfer money and so, banks have a role to play in this regard, he said, adding that bank officials would

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## Hasty bank mergers to bring no good

Analysts tell webinar

STAR BUSINESS REPORT

The decision taken by Exim Bank and Padma Bank on March 18 to merge appears to have been taken hastily without adequate preparation, for which the desired outcome may not come about, said analysts at a webinar.

Banks with good performance records and depositors are concerned over the amalgamation of the Shariah-based Exim and trouble-ridden Padma, they said while shedding light on impacts on the distressed banking sector.

The Forum for Bangladesh Studies, a platform for academics and analysts working on contemporary issues, organised the webinar yesterday.

Questions have arisen on why the merger decision was taken when related comprehensive guidelines and regulations are yet to be prepared, said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

Both banks are weak as per a Bangladesh Bank health index of banks and it is very difficult to get any positive result by merging two weak banks, she said.

In 2009, Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha merged to form Bangladesh Development Bank Ltd (BDBL), which is still teetering under a massive amount of bad loans, she added.

These developments are a matter of concern for banks with good performance records as the reforms necessary for the banking sector must be brought about in a planned manner, said Khatun.

"Weak banks of influential owners should not be left out of mergers and what will happen post-merger are important factors," she said.

Cosmetic changes will not bring about any development

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