DHAKA FRIDAY APRIL 5, 2024, CHAITRA 22, 1430 BS ● starbusiness@thedailystar.net

Star BUSINESS

Bangladesh should expedite the making of garments from man-made fibre as it will account for 60 percent of the total garment trade globally in 2030

Story on B4

BDBL to be merged with Sonali Bank, Rakub with Krishi Bank

STAR BUSINESS REPORT

Bangladesh Development Bank Ltd (BDBL) will be merged with Sonali Bank while Rajshahi Krishi Unnayan Bank (Rakub) will be taken over by Bangladesh Krishi Bank (BKB), according to a central bank official.

The primary decision of the acquisition was taken at a meeting between Bangladesh Bank Governor Abdur Rouf Talukder and the managing directors of the four state-run banks at the central bank headquarters on Wednesday.

The government took the decision in principle and informed the banks about the move, the central bank official said, asking not to be named.

Md Afzal Karim, managing director of Sonali Bank, told The Daily Star that a formal decision was yet to be taken about the merger.

He said that primarily the boards of the four banks will have to approve of the merger.

"Then they will apply to the BB," Karim said, adding that a formal decision on the merger may come soon.

If the merger involving the four banks goes ahead, it will be third such attempt as the central bank has stepped up efforts to restore discipline in the banking sector and bring down the runaway defaulted loans to a reasonable level.

Last month, shariah-based Exim Bank agreed to take over struggling Padma Bank.

And this will be the second such experience for BDBL. It was formed out of the merger of two state-run lenders -- Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha -- 14 years ago as the state-run lenders were creaking under huge default loans.

Speaking to The Daily Star yesterday, a senior official of BDBL said the decision was taken by the government.

"Once the board approves the move, we will apply to the central bank for the merger. All decisions will be taken after Eid," he said, on condition of anonymity.

The merger and acquisition decision of the four banks comes as they continue to struggle to curb bad loans.

Sonali Bank had loans of Tk 93,096 crore as of December 2023. Of the sum, Tk 13,150 crore had turned sour, which was 14.1 percent of the total credits disbursed, BB data showed.

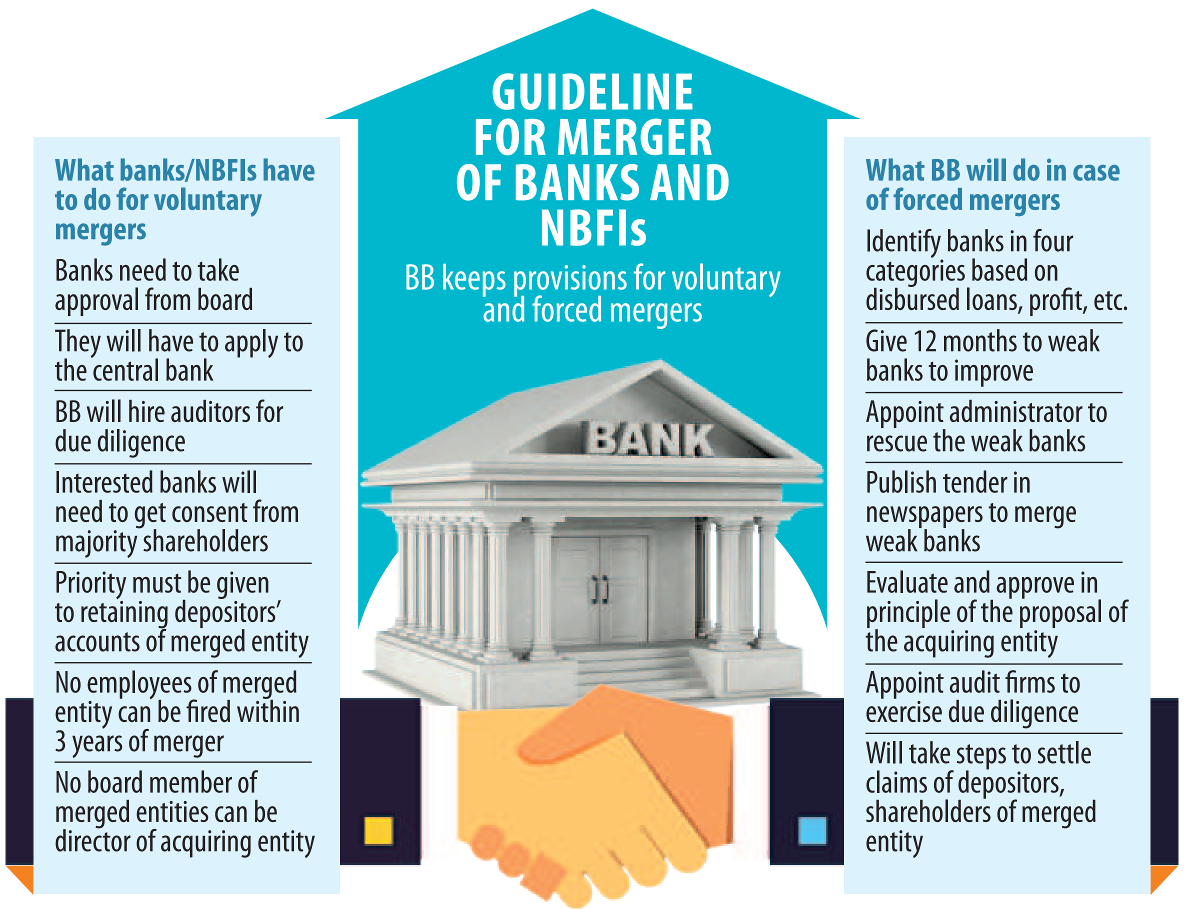
BDBL had an NPL of Tk 982 crore out of the outstanding loans of Tk 2,313 crore, representing a bad loan ratio of 42.45 percent.

BKB's NPL stood at Tk 3,980 crore, which was 12.64 percent of the total advances of Tk 31,487 crore.

Rakub had seen its Tk 1,334 crore become bad loan, accounting for 18.58 percent of the Tk 7,178 crore loans given out as of last year, according to the central bank.

Directors, top officials of merged banks can't hold posts in acquiring entity

Central bank issues a guideline on mergers



STAR BUSINESS REPORT

Board members and top executives of the banks and financial institutions that will see a merger will not be able to hold any position in the acquiring entity, said the Bangladesh Bank (BB) yesterday as it issued a guideline.

The guideline, which keeps provisions for both mutually agreed and forced mergers, says priority must be given to continuing the accounts of depositors of the merged entity or returning their funds.

No employees of the merged entity could be fired within three years of a takeover by the acquirer, said the BB.

The guideline comes four months after the BB issued the Prompt Corrective Action (PCA) framework to give a procedural direction for mergers and acquisitions amidst the deteriorating financial condition of some banks and financial institutions.

In the case of forced mergers, the BB will proceed in phases.

First, in the light of PCA, it will identify banks in four categories based on their disbursed loans, profits and other indicators before directing weak lenders to improve their performances in 12 months.

If the situation does not improve and the vulnerabilities continue, the central bank will ask them to merge voluntarily with another bank or financial institution.

The BB will step in and initiate the process of a forced merger if weak entities keep suffering from capital shortfall, high non-performing loans, and liquidity shortage.

The BB guideline comes after Shariah-based Exim Bank agreed to take over struggling Padma Bank. It also asked four state banks -- Bangladesh Development Bank Ltd, Sonali Bank, Rajshahi Krishi Unnayan Bank and Bangladesh Krishi Bank -- to combine their operations in its bid to reduce vulnerabilities in the banking sector suffering from high default loans and a lack of good governance.

For the mutually agreed merger, the guideline said interested banks and financial institutions will have to secure approvals from their boards before seeking the primary consent from the BB.

The central bank will later appoint an auditor to carry out audits into the proposed merged entity in order to perform due diligence. Lenders will need to hold a special meeting to receive consent from majority shareholders prior to seeking the final nod from the central bank.

Acquiring companies will have to establish separate units or take measures to realise loans of acquired entities.

In the case of a forced merger, the BB can appoint an administrator by dissolving the board of the weak banks or financial institutions. Later, the regulator will seek bids from interested buyers.

If the tender process turns out unsuccessful, the BB can ask one bank or more than one bank to acquire the weak financial institution.

According to the guideline, the BB can make decisions to settle claims of depositors or shareholders of merged entities as it thinks fit.

For a voluntary merger, the BB and the government will provide incentives to the acquiring institution because the financial health of the sound bank may be impacted adversely because of the merger.

READ MORE ON B3

AI law to be flexible, yet strict to mitigate harm

Law minister says

STAR BUSINESS REPORT

The government is formulating an artificial intelligence (AI) law that will largely be flexible to foster innovation while strict in some aspects to mitigate potential harm caused by the unrestricted use of such technologies, according to top government policymakers.

"The law that we will formulate, in my humble opinion, should come with much flexibility. We have to be strict only in some areas which we will regulate," said Law Minister Anisul Huq.

"It's because we will have to adapt to the changes that will come about in the field of AI technology in the coming days, months and years," he said.

He was speaking at a meeting with stakeholders

to initiate the formulation of the "Artificial Intelligence (AI) Act", organised by the ICT Division at Bangladesh Telecommunication Regulatory Commission (BTRC) yesterday.

The law minister said, while other laws had been drafted before discussions were held with stakeholders, the AI law would be prepared after thorough discussions with stakeholders.

The law will be finalised through discussions at every stage, starting with the drafting of an outline, he said.

"There should be a connection between the law and the policy on AI," he added.

The government decided to formulate the AI act considering its inherent risks and potential, said Zunaid Ahmed Palak, state minister for ICT.

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STOCKS

DSEX ▲	CASPI ▲
0.34%	0.51%
5,796.12	16,614.46

COMMODITIES

Gold ▼	Oil ▼
$2,294.34 (per ounce)	$85.3 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.47%	▲ 0.81%	▲ 0.38%	▼ 0.18%
74,227.63	39,773.14	3,235.01	3,069.3

Businesses just managing to get by

Say industry people

STAR BUSINESS REPORT

Businesses in the country are not faring well and are just managing to get by for a crisis of gas and electricity at factories and US dollar shortages, according to the industry people.

"Our business is not doing good. There is a crisis of gas and electricity at factories. In addition, their prices are rising," said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association.

The interest rate on bank loans is more than 13 percent whereas it was of a single digit seven months ago. Moreover, there is a shortage of US dollars, he said.

Khokon was addressing the 44th meeting of a Consultative Committee of the National Board of Revenue (NBR), jointly organised with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at Pan Pacific Sonargaon Dhaka yesterday.

Good businesspeople are going through very difficult times and their industries are just managing to get by, he said.

They should not be confused with wilful loan defaulters, who should be identified and prosecuted, he added.

The dollar and interest issues were echoed by Habib Ullah Dawn, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association.

The current challenges are over reining in inflation, increasing foreign exchange reserves, remittance inflows, expanding and diversifying exports and their destinations, and developing human resources, said FBCCI President Mahbubul Alam.

"Our business is not doing good. There is a crisis of gas and electricity at factories. In addition, their prices are rising," said Mohammad Ali Khokon, president of BTMA

The government needs to lower the interest rate, bring about reforms in the financial and banking sectors and ensure coordination between monetary and fiscal policies, strengthen trade facilitation, and increase the tax-GDP ratio for overall economic stability, he said.

The government is working relentlessly with the private sector to develop trade and economy and will seriously take their proposals into

READ MORE ON B3

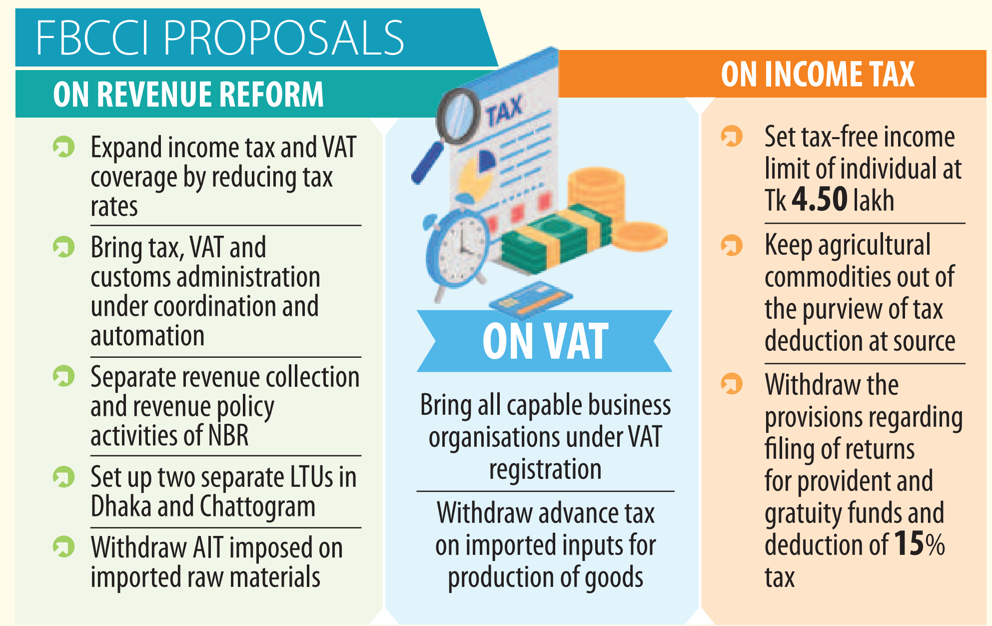
FBCCI demands removal of tax at source for supply of essentials

STAR BUSINESS REPORT

With people bearing the brunt of heightened inflation, the country's apex trade body yesterday urged the government to remove the source tax on the income from supply of essential commodities, including food grains, agricultural produce, and other essentials such as edible oil and sugar to contain prices from the next fiscal year.

"There is a provision to collect tax on agricultural products at the supply stage, which increases prices of consumer goods," said Mahbubul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

He made the proposal at the consultative committee meeting jointly organised by the National Board of Revenue (NBR) and the FBCCI at the Pan Pacific Sonargaon Dhaka.



PROPOSALS ON BUDGET FOR FY25

At the meeting, the FBCCI placed tax related proposals to the NBR for consideration on behalf of businesses for the fiscal year 2024-25.

The apex trade body said at present, 2 percent tax at source is applicable on the supply of items such as rice, wheat, potato, onion, garlic, chickpeas, lentils, turmeric, pepper, maize, flour, salt, edible oil, sugar, and all kinds of fruits among other items.

Such products should be exempt from taxes, Alam added.

Taking into consideration the current inflation and the real incomes of low-income individuals, the FBCCI president recommended that the tax-free income limit for individuals be increased by Tk 1 lakh to Tk 4.50 lakh and to fix it at Tk 5 lakh for senior citizens and women.

He further said there are currently about one crore TIN holders, but only around 35 lakh file income tax returns regularly.

He recommended setting up income tax offices at the upazila level to increase government revenue and bolster the tax-GDP ratio.

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