

# Star BUSINESS

The Dada Match factory may soon fade from memory as no effective measures have been taken to reopen it in 14 years



Story on B4

## Broad reforms vital to restore trust in banks: CPD

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday urged the government to reduce bad loans and establish governance in the banking sector as part of its suggestions aimed at healing the persisting ills of the key sector.

"A comprehensive reform agenda should be devised and implemented to overcome the banking sector's ongoing challenges," it said.

The think-tank's recommendations came at a dialogue titled "What Lies Ahead for the Banking Sector in Bangladesh?" at the Lakeshore Hotel in the capital.

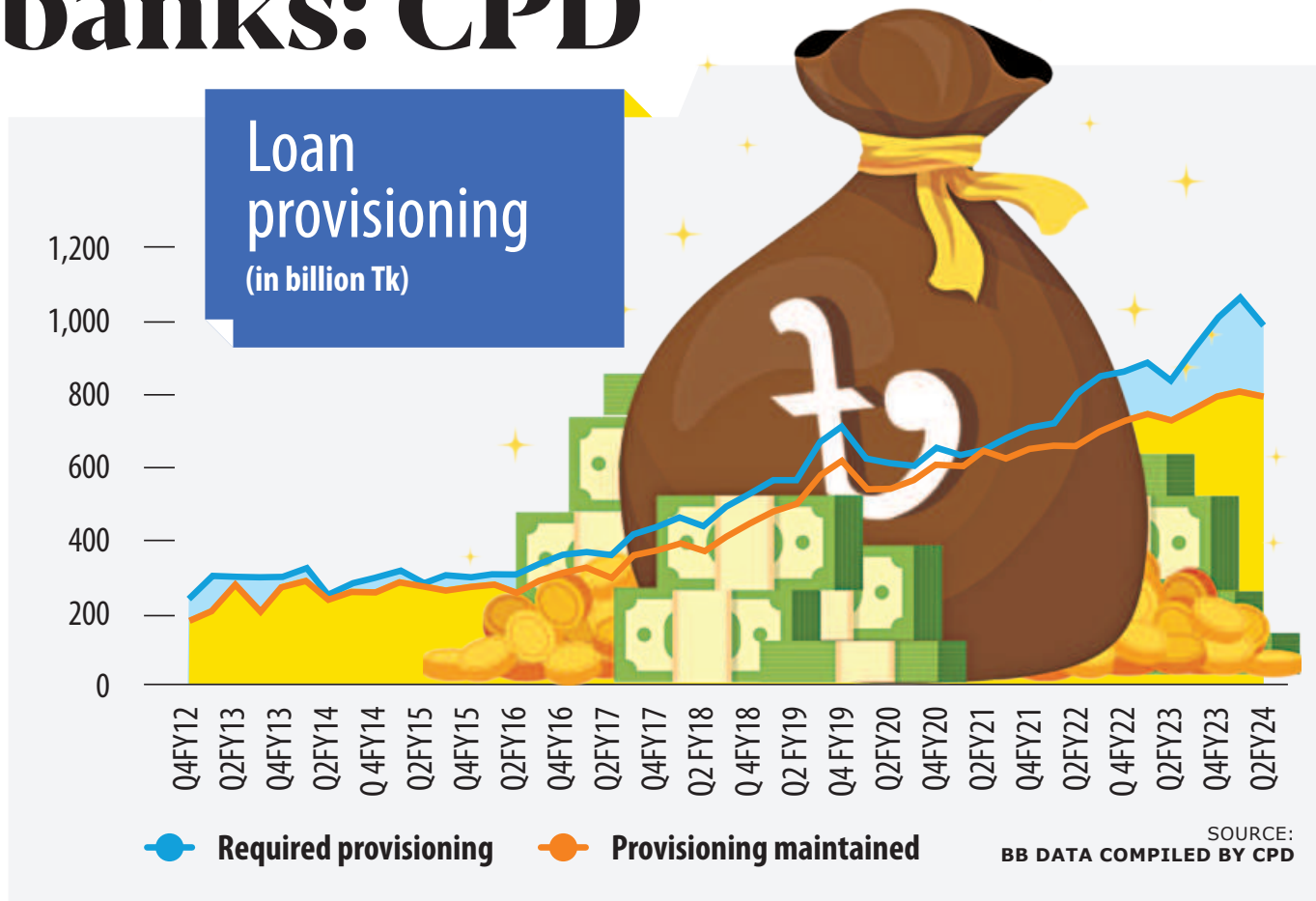
The CPD said commercial banks need to be strengthened, the independence of the Bangladesh Bank should be upheld, a conducive legal environment must be created, and a banking commission needs to be set up.

In Bangladesh, non-performing loans (NPLs) have more than tripled in the last one decade, it said. The high concentration of NPLs is not only a problem for state-run banks but also for private lenders.

The increase in the share of NPLs at private banks shows that their performance has worsened substantially over time.

Bangladesh Bank's Financial Stability Report showed that gross NPL totalled Tk 120,649 crore in 2022. If written off and rescheduled loans are taken into account, the figure goes up to Tk 377,922 crore.

As of the second quarter of the



current fiscal year of 2023-24, the required loan loss provisioning was Tk 98,941 crore whereas banks collectively set aside Tk 79,679 crore to cover the bad debts.

"There has been an erosion of public trust in the banking sector due to the continuous deterioration of the health and inadequate measures taken by the policymakers," said Fahmida Khatun, executive director of the CPD, while making a

### 'FID acting as a regulator for a regulator'

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday criticised the establishment of the Financial Institutions Division (FID) of the finance ministry as it compromises

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presentation.

"NPLs should be brought down through a comprehensive framework because sporadic measures have not been successful. The nature and depth of the problem require broad due diligence and structural reforms."

She said since reforms will face resistance from vested interest groups, the changes must be backed by political will.

The CPD made some specific recommendations about commercial banks, the central bank, and a banking commission.

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## Stocks keep bleeding

MD ABU TALHA SARKER

The stock market in Bangladesh yesterday extended its losing streak as fears of the capital gains tax being reinstated in the coming fiscal year and rising yields of government treasury bills and bonds continued to weigh on investors' minds.

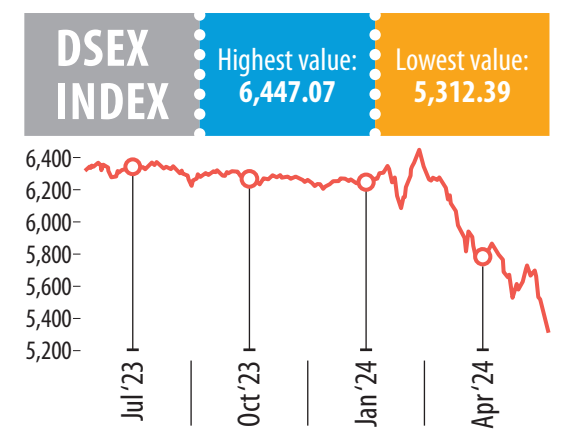
The market opened on an upbeat note but that did not last long as institutional and foreign buyers mostly remained on the sidelines.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), shed 58.7 points, or 1.09 percent, to close at about 5,312 points, its lowest in 39 months.

All other indices suffered losses too.

"The market drop can be attributed to numerous factors, like the increased policy rate and treasury security yields as well as rumours about the capital gains tax," said Asif Khan, chairman of Edge Asset Management.

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### BUDGETARY ALLOCATION FOR AGRICULTURE OVER THE LAST FIVE YEARS

In % of total budget



SOURCE: FINANCE MINISTRY

### Forex reserves go up by \$180 million in a week

STAR BUSINESS REPORT

Bangladesh's foreign currency reserves have risen to \$18.61 billion, an increase of \$180 million from a week ago, central bank figures showed yesterday.

It was \$18.43 billion on May 15, according to a central bank calculation based on the International Monetary Fund's Balance of Payment Manual 6.

The Bangladesh Bank began calculating forex reserves in line with the new method in July last year as per suggestions of the lender, which approved a \$4.7 billion loan in January that year.

Tuesday's reserves were far lower than the \$41 billion the country reported in August 2021. Since then, import payments have risen faster than remittance earnings and exports, bringing the reserves to the current level.

## Agriculture should get top priority in budget: economists

STAR BUSINESS REPORT

Agriculture should be given the highest priority in the upcoming national budget as food security has to be ensured for the people of Bangladesh, economists said yesterday.

The land available for agricultural purposes is decreasing by 0.5 percent every year while the population is increasing day by day, they said.

There are also challenges stemming from climate change and geopolitics. Therefore, it is necessary to increase food production locally, they added.

They made the comments at a seminar on the political economy of agrarian futures in Bangladesh, organised by the Bangladesh Institute of Development Studies (BIDS) on its premises in the capital.

About 40 percent of the population is now dependent on agriculture for jobs and that is why the government should not divert its attention from

this sector at this time of austerity, said Binayak Sen, director general of BIDS.

"In the current situation, it is very important to rationalise tariffs and subsidy policies for agricultural products. Because these are our home-grown products," he said.

Arrangements should be made so that the agricultural technologies that have been developed can reach grassroots farmers, he said, adding: "If we can do that, the country will move further forward."

For fiscal year 2023-2024, the government allocated only 3.5 percent of the total budget to the agriculture sector according to finance ministry documents.

MA Sattar Mandal, former vice-chancellor of the Bangladesh Agricultural University, said: "We have some direct results of the transformation that is taking place in the agricultural sector of Bangladesh."

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