

The government overestimated annual revenue collection targets and future expenditures over the past 11 years, according to a finance ministry document.

Story on B4



## Remittance shows signs of decline

STAR BUSINESS REPORT

Bangladesh received \$1.65 billion in remittances in the first 28 days of July, signalling a decline owing to the internet blackout, which blocked banks from collecting much-needed foreign currencies from migrant workers.

The inflow was 16 percent lower compared to the full month of July a year ago, according to central bank data. It was also 35 percent lower than the remittance inflow in June this year.

"Remittances did not arrive as the internet connection was disrupted for four or five days," said Selim RF Hussain, chairman of the Association of Bankers Bangladesh (ABB).

Bangladesh witnessed an internet outage around 9pm on July 18 in the face of violence, deaths, and injuries centring the quota reform movement.

The government only restored broadband connection on a limited scale from July 23 before restoring broadband internet across the country the next day.

Remittance collection remained suspended during the outage, said bankers, adding overall flow of receipts did not pick up even after the restoration of the internet.

Central bank data showed that the inflow of remittances, a key source of foreign currencies, stood at \$138 million from July 21 to July 27, the lowest among the four weeks of the month.

Hussain, also managing director and CEO of BRAC Bank, said overall flow may fall this month because of the internet outage.

In the four weeks of July this year, daily average remittance flow declined 7 percent year-on-year to \$59.18 million.

The daily average inflow so far in July was also lower than the daily inflow of \$84.7 million in June this year.

Hussain said expatriates send money to their families based on their needs.

"I do not believe that remittance inflows will be

READ MORE ON B3



The disruption in production at garment factories caused by violence stemming from the quota reform movement as well as a nationwide curfew and internet blackout has created anxiety among foreign buyers, who are desperate to receive timely shipment of goods ahead of the Christmas season.

PHOTO: STAR/FILE

# Apparel retailers express concern about shipment delay

STAR BUSINESS REPORT

International clothing retailers and brands yesterday expressed concern about the timely shipment of goods following the latest spell of violence stemming from the quota reform movement, imposition of curfew and five-day internet blackout, which crippled economic activities.

In light of the situation, retailers urged leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) to ensure timely shipment of goods to be sold during the Christmas season.

They also demanded that the government quickly restore high-speed internet and broadband services to allow quick communications with their headquarters abroad.

They made the demands at a meeting with BGMEA leaders at the trade body's office in the capital's Uttara.

Although it was a regularly scheduled meeting between the BGMEA and buyers,

important issues came to the fore due to the recent crisis.

For example, buyers called for addressing the backlog and congestion of containers at the Chattogram and Benapole ports so that export activities could run smoothly, according to a senior BGMEA leader who was present at the meeting.

Their concerns had been compounded by the fact that factories faced a complete shutdown for four days, especially as the months of July, August and September are the peak time for the shipment of goods to be sold during Christmas, the biggest retail sales extravaganza in the Western world.

It is also the peak time to confirm the prices of goods to be shipped next summer and spring.

The disruption in production, delivery and shipment took place at a time when Bangladesh's exports were trending downwards.

Overall exports declined from \$39.69 billion in the July-May period of FY23 to \$37.35 billion in the same period of FY24,

according to data from the Bangladesh Bank.

In the same period, Bangladesh's garment shipments fell 5.2 percent to \$33.04 billion.

At present, many garment factories cannot continue timely production due to a lack of raw materials like yarn, which could not be transported to factories because of the volatile situation over the past week.

Furthermore, suppliers had to cancel hundreds of pre-scheduled meetings and factory inspections over the past week.

Almost all the major garment sourcing companies were present at the meeting, including representatives from retailers like H&M, M&S and Bestseller.

They expressed concern about difficulties transporting goods as well as shipments from Chattogram port while also lamenting the slow internet speed, which hindered communication with their headquarters.

READ MORE ON B3

## Shipping woes cripple non-RMG exporters

JAGARAN CHAKMA

Although the plight of the readymade garment (RMG) sector has stolen the limelight, non-RMG industries have also witnessed unprecedented shipment woes, including cancellation of bookings, due to the upheavals over the past week.

Violence centring the quota reform protests, a nationwide curfew imposed by the government and a five-day internet blackout brought nearly all economic activities to a standstill, including at the country's premier seaport in Chattogram.

Although the country's main port has become fully operational, non-RMG exporters alleged that they had been getting less priority in booking shipments despite accounting for around 17 percent of the country's exports and playing a big role in export diversification.

Against this backdrop, their shipments will be delayed, which will not only create an image crisis but also result in demurrage and cause them to sell products at discounted rates, they said.

"We had to cancel some export consignments due to violence and curfew while the internet outage turned the port practically non-functional," said Kamruzzaman Kamal, director of marketing at Pran-RFL Group, which exports around 900 varieties of food and non-food products to 145 countries.

**We had to cancel some export consignments due to violence and curfew while the internet outage turned the port practically non-functional.**

**Kamruzzaman Kamal**  
Director of marketing at Pran-RFL Group

"At the same time, we could not carry on correspondence with our buyers due to the internet outage", he said, adding that no one anticipated that the economy would suffer such a sudden shock.

Kamal added that they were accustomed to email communications with buyers and that there was little scope for manual correspondence. As such, regular export activities were severely hampered.

He also said the disruption would affect at least 30 percent of their planned annual exports.

Zahangir Alam, chief financial officer at Square Pharmaceuticals, said it was an unpleasant experience as the distribution of medicines was affected, which forced them to manually issue invoices to deliver products.

But he added that they did not face much trouble as their export quantity is nominal compared to sales in the domestic market.

According to him, the company exports only around 4 percent of its annual output. So, the impact in the export segment was insignificant.

However, the experience for Beximco Pharmaceuticals was quite the opposite.

Wasim Haider, senior manager (international marketing) at Beximco Pharmaceuticals, said all exports had been suspended since July 18.

READ MORE ON B3

## VPN use surges to bypass restrictions

STAR BUSINESS REPORT

In the wake of violence centring protests in Bangladesh, a massive surge in virtual private network (VPN) usage has been witnessed as citizens strived to circumvent government-imposed internet restrictions.

Bangladeshi social media users are not getting uninterrupted access to the platforms as the government has put in strict blocking mechanisms until the tech companies comply with its demands.

The international internet gateway (IIG) operators were instructed to block Facebook, the most popular app in the country with about 5.5 crore users, from the gateway devices by the Department of Telecommunications, The Daily Star has learnt from people with knowledge of the matter.

Meta's other platforms such as Messenger and WhatsApp and ByteDance's TikTok -- the most popular social media and instant messaging apps -- are on top of the block list, they said.

The aim of limiting access to social media platforms and news websites in this scenario is usually to restrict communication among protesters and prevent the dissemination of information that could incite further unrest.

However, such restrictions have inadvertently fuelled a surge in VPN usage as citizens seek alternative means to access blocked content and communicate securely.

READ MORE ON B3

## Politically-motivated lending causing bad loans to spiral: WB

REJAUL KARIM BYRON and AM JAHID

The amount of bad loans has been spiralling in Bangladesh owing to rampant politically-motivated lending and inadequate credit risk management, according to a World Bank report.

"Non-performing loans (NPLs) are rising, triggered by widespread related-party and politically directed lending on the back of weak credit risk management," it said.

The global lender prepared the report as a project information document for a \$400 million loan project for Bangladesh, which is still under scrutiny. This project is designed to support financial stability and inclusion by enhancing financial sector infrastructure and safety net and fostering access to catalytic private sector finance in Bangladesh.

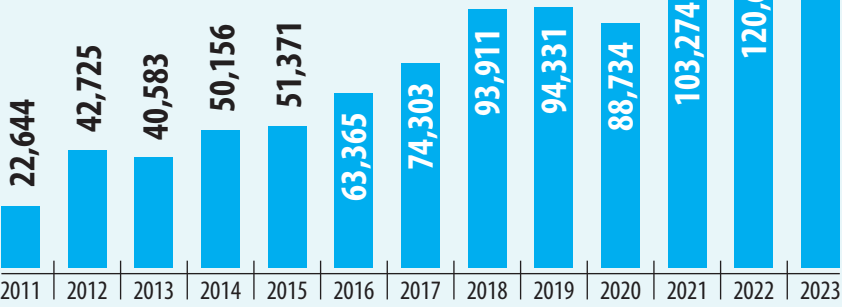
The WB said NPLs had officially increased by 20.7 percent year-on-year at the end of December 2023 to 9 percent of the loan portfolio, but that was significantly understated due to lax NPL definition, poor accounting and disclosure standards and regulatory forbearance.

State-owned banks account for almost half of the NPLs, it added.

### DEFAULT LOANS OVER THE YEARS

In crore taka

SOURCE: BB



"Growing NPLs and rising cost of funds lower banks' returns and ability to build additional capital buffers, while the requirement to distribute dividends even by loss-making banks further depletes banks' reserves and increases risks to depositors and creditors," it added.

The WB said the four watchdogs who regulate the financial sector -- namely Bangladesh Bank, Insurance Development and Regulatory Authority, Bangladesh

Securities and Exchange Commission, and Microcredit Regulatory Authority -- lack operational independence, powers, skills, and the modern legislation necessary for sound financial sector development.

Despite recent efforts supported by the World Bank and other international financial institutions, much of the financial sector regulatory framework still needs to be brought in line with international standards, it said.

The banking sector's risks are also being triggered because of long-standing poor governance, weak market discipline, and low capital buffers, according to the report.

"The reported aggregate banking sector capital adequacy ratio (CAR) -- 11.64 percent in December 2023 -- is too low given the high level of risks in the banking sector. At least 16 banks are undercapitalised, with special BB waivers for deferred loan loss provisions (LLP) and capital increases."

Besides, the existing framework for intervening in ailing financial institutions is weak, with authorities relying on mergers and capitalisation using state money to deal with failing banks, it said.

In December 2023, the central bank adopted a new Prompt Corrective Action (PCA) framework, supported by the WB, but it will not be fully in force until April 1, 2025, it said.

As a way forward, the World Bank said broad-based financial sector reforms are crucial for mobilising the private capital necessary to drive further growth.

"This in return requires the authorities to address in a timely and orderly manner the persistent financial sector

READ MORE ON B3

