



PHOTO: ANISUR RAHMAN

Rows of roadside shops that were left closed in Purana Paltan in the capital around noon yesterday amidst the changing political scenario.

Supply chain disruption hits commodity traders and farmers

SUKANTA HALDER

The risk of violence amidst a political crisis that culminated in the resignation of Prime Minister Sheikh Hasina yesterday disrupted supply chains of essential food commodities, hitting consumers, traders and farmers.

Traders said many vehicles with fresh vegetables such as spine gourds and pointed gourds could not reach Dhaka from different districts.

As a result, prices of essential food commodities have already increased at the wholesale and retail levels.

For example, the price of onion rose to Tk 120 per kilogramme (kg) yesterday from Tk 116 a week ago. The price of pointed gourd rose to Tk 80 per kg from Tk 60 earlier at different kitchen markets in Dhaka.

Mostafa Kamal, a wholesaler of Karwan Bazar, one of the largest kitchen markets in Dhaka, said three goods-laden trucks were supposed to come to Dhaka from Dinajpur and Ishwardi at midnight of Sunday.

The trucks, carrying goods worth Tk 6

lakh, got stuck in Bogura for violence on the roads. Of those goods, there were gourds, cauliflowers, pointed gourds and sponge gourds in the truck.

"If it does not enter Dhaka within a day, there is every possibility of the vegetable rotting. If that happens, it will be a big loss," he said early yesterday.

Tensions ran high amidst a curfew and a "March to Dhaka" programme called by the Anti-Discrimination Student Movement over the recent killings of people.

Over 300 people were killed in just three weeks since July 16, making it the bloodiest period in the history of Bangladesh's civil movement.

The government on Sunday reimposed a curfew for an indefinite period from 6:00pm and announced a three-day general holiday starting yesterday, which brought transports to a standstill.

Mohammad Sohail, a wholesaler of Karwan Bazar, said two trucks with 30 tonnes of potatoes were supposed to come from Bogura and Rajshahi early yesterday. Only one could

enter Dhaka while another was stuck in Sirajganj's Ullapara.

Salam Sheikh, an onion wholesaler of the same market, said a total of 20 sacks of onions were supposed to come from Pabna and Rajshahi. But they could not even decide on loading them onto a truck, he said.

Mohammad Jashim Uddin, a rice wholesaler of Mohammadpur Krishi Market in the capital, said amidst the current situation, no order for rice has not been placed over the last two days despite there being a lot of demand.

The price of rice per kg has increased by Tk 2 to Tk 3 on average since Sunday, he said.

Goods cannot be sent to other big cities of the country, including Dhaka, due to a lack of transport, said Rahidul Islam, a vegetable stockist and wholesaler in Bogura's Mahasthan Bazar, one of the main wholesale vegetable depots of the northern region.

However, the prices of almost all products there have come down. Farmers are facing huge losses, he said, adding that gourds are being sold at Tk 20 per kg, brinjal at Tk 5 to Tk 15 and green chilies at Tk 100.

High inflation, banking crisis are key hurdles for new govt: analysts

JAGARAN CHAKMA and MEHDI HASSAN

The interim government's immediate duty will be to address inflation and repair weak financial institutions as it seeks to rebuild the economy, according to experts.

They added that weak governance in financial institutions and the central bank's lack of autonomy have been seriously affecting the economy.

"The interim government's immediate task should be addressing inflation. The economy has been suffering from high inflationary pressure for years," said Fahmida Khatun, executive director at the Centre for Policy Dialogue.

Annual inflation rose to 9.73 percent in 2023-24, the highest since 2011-12, when it was 10.62 percent, according to the Bangladesh Bureau of Statistics.

She also said financial institutions had weakened immensely due to corruption and a lack of good governance.

The CPD executive director said the nation has witnessed a change and the need now is to rebuild the economy.

According to her, overcoming the destruction of public and private property is not the major challenge. Rather, repairing the country's image is the major challenge.

Sumon Chowdhury, secretary general of the Bangladesh Steel Manufacturing Association (BSMA), said the interim government needs time to ensure discipline in business.

Although it is unclear what steps the interim government will take, any decision should be made after consulting with all

stakeholders, he added.

Chowdhury said businessmen faced huge financial and non-financial losses during the movement, adding that they had already been suffering for a long time due to a gas crisis.

In such circumstances, the interim government should provide incentives or other benefits, he said.

He also condemned attacks by miscreants on businesses, which particularly targeted establishments owned by pro-Awami League (AL) businessmen.

"It is true that pro-AL businessmen got plenty of benefits. But practically all businessmen became pro-AL as the party has ruled the country for the past 15 years."

Raved Akthar, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI), refused to comment in advance.

But he said that the nation sustained a lot of damage, both literally and metaphorically.

"We have to rebuild our nation," he said.

Syed Mahbubur Rahman, a former chairman of the Association of Bankers Bangladesh, said: "Whoever comes to power, we are looking for good governance in the banking sector."

Rahman, also managing director of Mutual Trust Bank, told The Daily Star that companies and banks owned by people close to former Prime Minister Sheikh Hasina will have to tread carefully.

He also fears bad loans will rise further as companies owned by political leaders may face trouble.



PHOTO: STAR/FILE

The economy of Bangladesh has been suffering from high inflationary pressure for years, as annual inflation rose to 9.73 percent in 2023-24, the highest since 2011-12.

Banks see lower offshore lending amid forex crisis

MD MEHEDI HASAN

Lending from offshore units of banks in Bangladesh has declined amid the ongoing foreign exchange crisis, leaving the segment in a fragile situation.

By the end of March this year, the total disbursed loans of offshore banking units (OBU) stood at about Tk 72,437 crore, down 7.68 percent year-on-year, as per the latest central bank data.

OBUs were a lucrative business for banks when the forex flow was good. But now their operations have practically come to a standstill as foreign funds are unavailable, industry people said.

Bangladesh has been facing a foreign exchange crisis for more than two years now, which adversely impacted their OBUs, as per industry insiders.

The country's forex reserves have fallen more than \$24 billion since August 2021 following the Covid-19 pandemic.

The forex reserves stood at \$21.78 billion (BPM6) on June 30 this year, as per the latest central bank data.

Besides, Bangladesh Bank found proof that some banks laundered money through their OBUs, prompting the banking regulator to strengthen monitoring of the segment.

An OBU is a specialised unit within a licensed bank that offers financial services, such as loans, in foreign currencies to non-resident customers.

Generally, the unit borrows from foreign banks as well as the central bank to lend funds to various organisations for import payments, export bill discounting, refinance, and mid and long-term loans.

Loans from OBUs started to fall after the central bank instructed banks not to take funds from their domestic unit to finance OBUs, said Mati Ul Hasan, additional managing director of Mercantile Bank.

In January, the Bangladesh Bank barred banks from transferring foreign currency to their OBUs to tackle local forex shortages and reduce the dependency of units abroad on those back home.

Mati Ul Hasan said most banks used to take funds from domestic units to OBUs but they have had to adjust as per the central bank's instruction.

"That is why lending from OBUs has declined," he added.

From 2020, banks were allowed to transfer up to a maximum of 30 percent of their regulatory capital in foreign currency from domestic units to OBUs.

There was no prior limit on transferring or

OFFSHORE BANKING: KEY POINTS (As of March 2024)

- » Loans stood at Tk 72,437.17cr
- » Loans at state banks were Tk 676.64cr
- » Private commercial banks' loans were Tk 57,983.72cr
- » Defaulted loans stood at Tk 1,876.91cr
- » Offshore banking was allowed in the country in 1985
- » Govt introduced Offshore Banking Act 2024 in May

mobilising funds for OBUs.

A senior Bangladesh Bank official said they observed that many banks were excessively transferring foreign currency to OBUs, creating an imbalance in the demand and supply of foreign currency in the local market.

Till March this year, loan disbursement from offshore units of state-run banks fell by Tk 802 crore to Tk 677 crore. Meanwhile, loan disbursement from OBUs of private commercial banks fell by Tk 2,482 crore to Tk 57,984 crore.

Likewise, loans from the OBUs of foreign banks fell by Tk 2743 crore to Tk 13,776 crore.

Amid the forex shortage, foreign lenders are very cautious about providing funds to local banks, which is another reason lending through OBUs declined, said Shaheen Iqbal, deputy managing director and head of treasury at BRAC Bank.

However, Iqbal said lending through BRAC Bank's OBUs has increased.

DEFAULTED LOANS OF OBUs

Defaulted loans at OBUs stood at about Tk 1,877 crore at the end of March this year, up from Tk roughly 1,402 crore in the same period of 2023, central bank data showed.

Bad loans at the OBUs of private commercial banks stood at Tk 1,198 crore while bad loans at foreign banks stood at around Tk 679 crore till March this year.

Life cannot go on like this

A street vendor shares his hardships during the widespread unrest

AM JAHID

"Brother, please take at least four bananas. If not, my family will have to go without food. They are already starving," said Shukkur Ali while pleading with this reporter to make a purchase.

Ali, a roaming vendor who sells fruits in Dhaka's Farmgate, said that he has had next to no sales for the past several weeks due to the unrest and curfew.

"Risking my life, the amount I could sell and profit I made would not cover my own expenses. So, how can I bear the expenses of my six-member family in such a situation?" he asked.

Ali, who hails from Rajbari, said he has been selling bananas in the Farmgate area for the past 10 years.

By selling bananas, he has been bearing the expenses of his son, who is studying at Government Rajendra College in Faridpur, and daughter, who studies at a school near his village in Bahadurpur of Pangsha upazila.

"I have no savings. The money I had has already been spent on family expenses. At present, I am unable to afford the living expenses of my family. Life cannot go on like this," Ali said.

While pointing out that his son passed SSC with a golden GPA-5 while his daughter is also an outstanding student, Ali said people think the two could enjoy great success in the future.

"I don't want my son's future to be like mine. That's why I am doing my best to pay for their education," he added.

Ali, the lone breadwinner for this family, said he spends at least Tk 10,000 every month on his son's education apart from the regular expenditures of his family who live in his village home.

"But right now, I am very helpless. Owing to the adverse situation, the condition of my business is horrible. In the last few weeks, I made sales of a maximum of Tk 400 per day," he added.

On a normal day, Ali can sell bananas worth about Tk 8,000.

When this reporter was talking to Ali, a vegetable vendor named Badal Mia also approached, requesting to write about his hard times during the widespread violence.

Mia shared a similar story about his hardships as the sales of his business significantly reduced owing to recent unrest centring the students' movement.

This reporter also spoke with other

hawkers and street vendors, who all claimed that they are suffering huge losses due to clashes between law enforcement agencies and demonstrating students.

This is hampering economic activities and affecting peoples' daily lives, they said.

The clashes have left several hundred dead and thousands injured since it began on July 15-16 for the quota reform movement declared by the Anti-Discrimination Student Movement.



A vegetable vendor named Badal Mia was waiting for customers on a deserted sidewalk between Khamarbari intersection and Farmgate yesterday noon. Hardships of street vendors like him deepened in recent days as sales dropped significantly amid the unrest and curfew.

PHOTO: AM JAHID