

Star BUSINESS

Paint companies are investing in developing new products, particularly those with a low environmental impact, said Mohsin Habib Chowdhury, COO of Berger Paints



Interview on B4

Stocks cross 6,000 points after five months

STAR BUSINESS REPORT

Stocks kept the gaining momentum yesterday with the benchmark index of the Dhaka Stock Exchange rising to a five-month high, surpassing the 6,000 point mark.

The rise comes against the backdrop of Rubayat-Ul Islam, chairman of the Bangladesh Securities and Exchange Commission, resigning from his post on Saturday night, five days after the fall of prime minister Sheikh Hasina-led Awami League government.

Buoyed by the developments in the country's political landscape, investors made fresh bets on large-cap and blue-chip stocks with hopes that good governance would return to the capital market. This has been reflected in recent days as the market continued to tick upward for a fourth straight day.

Yesterday, shares of large-cap and blue-chip stocks such as Islami Bank

Buoyed by the developments in the country's political landscape, investors made fresh bets on large-cap and blue-chip stocks

Bangladesh, Grameenphone, BRAC Bank, BAT Bangladesh, Robi Axiata, BSRM Ltd, United Commercial Bank, IFIC Bank, City Bank and National Bank performed strongly.

The share prices of Islami Bank Bangladesh, Grameenphone, BRAC Bank and BAT Bangladesh all recorded double-digit growth, rising by 18.61 percent, 17.30 percent, 11.84 percent and 11.59 percent respectively.

The broad index of the country's premier bourse, the DSEX, grew by 91.09 points, or 1.54 percent, to close the day at 6,015, marking a massive rise after a roller-coaster month.

Similarly, the DSES, the index for Shariah-compliant companies, ticked up 10.36 points, or 0.81 percent, to 1,285.27.

The DS30 index, which tracks blue-chip firms, went up by 51.62 points, or 2.42 percent, to 2,184.35.

Of the issues that changed hands on the trading floor of the DSE, 173 advanced, 207 closed lower and 20 did not see any price movement.

The day's turnover, which indicates the total value of shares traded, stood at Tk 2,010 crore, an increase of 25.12 percent compared to the previous day's trading session.

Grameenphone topped the turnover list, accounting for 8.75 percent, followed by BAT Bangladesh, BRAC Bank and Robi

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People crowd the Motijheel branch of Sonali Bank on Thursday after banks were ordered to limit daily cash withdrawals to Tk 1 lakh per account the prior night. Although the limit has since been raised to Tk 2 lakh, businesses are still struggling to meet their expenses due to the relatively modest ceiling.

PHOTO: RASHED SHUMON

Businesses hit by drought of cash supply

SUKANTA HALDER, AM JAHID and JAGARAN CHAKMA

Businesses in Bangladesh, especially those that mostly deal with cash transactions, yesterday said they are contending with a liquidity crunch as the country's central bank has placed a limit on daily cash withdrawals from banks.

On Saturday, banks were told to disallow daily cash withdrawals of more than Tk 2 lakh per account. The banking regulator had limited daily cash withdrawals to Tk 1 lakh per account from last Thursday before deciding to raise the ceiling.

The central bank took the decision due to security concerns as police are yet to return to work fully after attacks on around 450 police stations following the uprising that led to the fall of former prime minister Sheikh Hasina.

However, many customers were not even given the stipulated amount because of a cash crisis at banks. This is because cash cannot be regularly transported to ATMs and branches amid the lack of security.

"I repeatedly requested the official as I urgently needed Tk 40,000 for a family

emergency. But they denied my request. I do not know how I will manage the rest of the amount," lamented a frustrated school teacher in Dhaka's Dohar, who was given the scope to withdraw only Tk 10,000.

Some businesses said they might be

"This is a big problem. As a result, the normal pace of business is being disrupted," he added.

Siddique informed that most business transactions are now mostly being conducted through bank-to-bank transfers or real-time gross settlements.

Taslim Shahriar, deputy general manager at Meghna Group of Industries, a major commodity importer and processor, said not all businesspeople accept cheques.

"We have to pay in cash too but now, transactions are only taking place through bank-to-bank transfers and cheques. The sooner this problem is resolved, the better for us," he added.

Abul Hashem, president of the Bangladesh Sugar Traders' Association, said: "I am not getting the amount of cash that I am supposed to be able to withdraw. This is a big problem."

A senior official of another major commodity importer and processor, on condition of anonymity, said: "I could not send the money I was supposed to dispatch to my factory today [Sunday]. I needed Tk 10 lakh, but I could only withdraw Tk 2 lakh in cash."

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able to manage, at least for this week. But if the cash crisis lingers and restrictions remain next week, they will be in a tough situation, especially as their operations have ground to a halt since the second half of July, when violence erupted centring the quota reform movement by students.

Abu Bakar Siddique, an oil wholesaler in Karwan Bazar, one of the largest kitchen markets in Dhaka, said his bank would not allow more than Tk 1 lakh to be withdrawn.

Unrest in banking sector raises concerns

AHSAN HABIB

Unrest has gripped the banking sector at a time when several banks are burdened with huge default loans and are suffering from low asset quality.

Protests erupted at Bangladesh Bank the day after Sheikh Hasina's government was ousted on August 5 in the face of a mass uprising. The deputy governors who were appointed contractually during the former prime minister's tenure were similarly forced to resign from their positions.

But the unrest is not limited to the central bank as demonstrations are ongoing at Sonali Bank, the biggest bank in terms of branch network, and Islami Bank, the biggest bank in terms of deposits.

Three private banks -- United Commercial Bank, Social Islami Bank and IFIC Bank -- have also seen protests following Hasina's escape from the country.



However, the protest at Islami Bank yesterday turned violent as several people suffered bullet wounds in a clash between agitators and bank officials.

Industry insiders said the situation is also heating up at other banks whose directors were connected to the Awami League government, creating more concerns for a sector that is already suffering due to rocketing default loans.

Bad loans in the banking sector hit an all-time high of Tk 182,295 crore as of March this year, accounting for 11.10 percent of the total outstanding loans.

Bankers said one of the main reasons for the rise in loan defaults is interference in board activities by politically influential people.

"The protests are not a solution for the problems of the banking sector. Rather, this might deepen

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STOCKS	
DSEX ▲	CASPI ▲
1.53%	2.87%
6,015.90	17,282.45

COMMODITIES	
Gold ▲	Oil ▲
\$2,431.1	\$76.99
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.04%	▲ 0.56%	▲ 0.37%	▼ 0.27%
79,705.91	35,025.00	3,261.83	2,862.19



Abdur Rouf Talukder, the former governor of Bangladesh Bank, had resigned from the post on Friday while the interim government officially accepted it yesterday.

PHOTO: STAR/FILE

Govt to hire BB governor soon

STAR BUSINESS REPORT

The government yesterday accepted the resignations of the Bangladesh Bank governor and the chairman of Bangladesh Securities and Exchange Commission (BSEC) and decided to fill the position of the governor soon.

Over 100 demonstrators BB officials had stormed the governor's office recently and forced Kazi Sayedur Rahman, one of four deputy governors, to resign while barring two others, Habibur Rahman and Md Khurshid Alam, from entering their workplace.

Abdur Rouf Talukder resigned from the post of governor on Friday and the interim government accepted it yesterday.

The finance ministry issued a notification yesterday stating that Deputy Governor Nurun Nahar would serve as the acting governor while her remaining two peers

would stay in office until new appointments are made.

The unprecedented developments were preceded by the resignation of Sheikh Hasina from the post of prime minister on August 5.

She fled the country amid spiralling protests over the killing of over 300 people centring public job quota reform movement.

Meanwhile, during a briefing with the finance ministry officials yesterday, Finance and Planning Adviser Salehuddin Ahmed said resolving the issues at Bangladesh Bank was a big challenge.

He said the interim government would immediately look into the issue over the resignation of the BB governor and chairman of the Bangladesh Securities and Exchange Commission.

He, however, pointed out that everyday banking operations could continue abiding by existing rules

and regulations, even if the post of the governor was temporarily vacant.

"Does the governor oversee (even the smallest details of) the payment system? Will the person oversee debt settlement?" he said, adding that the deputy governors would look into such matters which were coming up.

On demands for the resignation of the National Board of Revenue (NBR) chairman, Ahmed said they would look into the issue later.

A number of NBR officials have been staging demonstrations at the office of the tax administrator since August 7, seeking the resignation of its chairman, Abu Hena Md Rahmatul Muneem.

Bringing various allegations over discrimination, the protesting officials urged the authorities concerned to hire people from customs or income tax cadres instead of the ones from the administration cadre as the chief of the NBR.

অভিনন্দন
ড. মুহাম্মদ ইউনুস

বেঙ্গল কমার্শিয়াল ব্যাংকের পক্ষ থেকে নোবেল বিজয়ী
অধ্যাপক ড. মুহাম্মদ ইউনুসকে
অন্তর্বর্তীকালীন সরকারের প্রধান উপদেষ্টা হিসেবে দায়িত্ব গ্রহণ করায় আন্তরিক শুভেচ্ছা।
আমরা অভিনন্দন জানাই অন্যান্য সম্মানিত উপদেষ্টাদেরও
যারা তাঁর নেতৃত্বে আমাদের জাতিকে নিয়ে যাবে সমৃদ্ধির শিখরে।

BENGAL COMMERCIAL BANK
Inspiring growth

Freight train suspension leads to port congestion

SIFAYET ULLAH, Ctg

The freight train service suspension, which began on August 3, has created a container congestion at Chattogram port.

The port's dedicated space to store containers to be transported through freight trains now has 2,470 TEUs (Twenty-foot equivalent units) containers, which is nearly three times higher than its capacity of 876 TEUs.

The Chattogram Goods Port Yard which is another designated spot for such containers normally releases around 200 TEUs from Chattogram port to the Kamalapur Inland Container Depots every day.

Bangladesh Railway suspended freight train services amid students' countrywide government job quota movement on August 3 for security concerns and since then no container was transported through trains.

As of yesterday, six trains with around 150 TEUs containers each got

Bangladesh Railway suspended freight train services on August 3 amid students' quota reform movement

stuck at the yard.

The state agency primarily transports raw materials, marble and stone, food grain, fertiliser through freight trains.

"The situation is out of control and not a single container can be stored at the port yard now," said Abdul Malek, master of the Chattogram Goods Port Yard.

Meanwhile, the Chattogram Port Authority (CPA) has sent a letter to Bangladesh Railway seeking quick resumption of the freight train services. Businesses prefer freight trains to transport raw materials, which cost much less than the other ways of transportation, importers said.

A maximum of Tk 16,100 is needed to ship 20 TEUs of containers on the Dhaka-Chattogram route by freight trains, compared to up to Tk 26,000 when using roadways.

Imran Jahid, a businessman from Dhaka's Keraniganj area, said he is yet to get four TEUs of containers of imported steel raw materials, which reached Chattogram port on July 15.

"I had to stop production in my steel factory due to the shortage of raw materials," he said.



BERGER AT A GLANCE

Berger has diversified into comprehensive construction chemicals

All products from Berger are lead-free and health and environment-friendly

It has customer support through specialised 'experience zones' in 38 locations across the country

Berger has recently launched Berger Design Studio, offering a comprehensive one-stop solution for interior design

Berger has introduced female painters to ensure the satisfaction and safety of female consumers

Paint industry investing in eco-friendly products

But sales growth slows for various crises, says Berger's chief operating officer

JAGARAN CHAKMA

Paint companies are increasingly investing in developing new products, particularly those with a low environmental impact, according to Mohsin Habib Chowdhury, the chief operating officer of Berger Paints Bangladesh Limited.

For example, they are developing paints that are lead-free and low in volatile organic compounds as such products contribute to reducing air pollution, he told The Daily Star in a recent interview.

But like other sectors, the paint industry is being impacted by various adversities stemming from the ongoing economic slowdown.

Pointing to rising US dollar prices, Chowdhury said it has become a significant challenge for paint companies that rely on imported raw materials.

The seasoned professional with more than 29 years of experience in the paint industry has maintained a good track record in various senior leadership roles.

Throughout his career, Chowdhury proved to be highly capable in negotiations, developing new businesses, and crafting effective business strategies.

Regarding the industry's current ailments, he said the Red Sea conflict has disrupted the global logistics systems, causing longer lead times.

Like Bangladesh, the global economy is suffering from an economic downturn, leading to a surge in China's exports to Western nations.

So, there is now a shortage of shipping vessels in South Asia.

Considering all these factors, companies like Berger that rely on imported raw materials are facing a complex situation,



Mohsin Habib Chowdhury

Chowdhury added.

Against this backdrop, he said regulatory intervention is needed to alleviate their sufferings, which are major hurdles for maintaining growth in the current economic climate.

The government has been charging supplementary duty equal to 5 percent of the value of each paint product since 2010.

Besides, a provision to impose the same tax on primers was included in the national budget for the ongoing fiscal year even though it is not a luxury product.

Citing that paint goes beyond mere aesthetics by protecting infrastructure from corrosion and erosion, Chowdhury said policymakers should revisit such policies to boost the industry.

Asked for an estimate on the current market size of paint products, he said overall sales are expected to exceed Tk 6,000 crore this year.

"We are optimistic about the industry's future as projections indicate it will enjoy steady annual growth of up to 4 percent from 2024 to 2028," he added.

He said the domestic paint market

is expanding due to several factors, including economic development amid rapid urbanisation and technological advancements in the country.

Also, consumption is increasing in line with rising disposable incomes.

By aligning with these industry drivers and educating consumers about the benefits of different coatings, paint companies like Berger are well-positioned to help the market exceed its expectations.

The industry faced a setback last year as sales growth slowed by 7 percent amid the vulnerable macroeconomic situation.

Chowdhury said paint consumption per capita stands at just 1.4 kilogrammes (kgs) in Bangladesh while it is 3 kgs in both India and Sri Lanka.

The per capita consumption in ASEAN countries ranges from 7 to 10 kgs while it is 12 kgs in China.

"So, our per capita consumption is still far below that of neighbouring countries," he added, attributing this to a lack of awareness of the values of paint.

However, Chowdhury said this also means the local market still has huge scope for growth.

According to him, the industry is facing both internal and external challenges due to the persisting global and local economic crises, particularly the Russia-Ukraine war.

Other than disrupting global supply chains, the crises have created a US dollar shortage in the country and devalued the local currency.

In such a situation, many paint companies cannot import their raw materials because of difficulties in opening letters of credit due to the forex shortage.

READ MORE ON B2

How do we increase inward remittance?

MAMUN RASHID

Bangladesh witnessed a threefold rise in human outflow over the past decade. Yet, remittance inflow has experienced relatively poor growth, rising from \$15 billion to a maximum of \$24 billion.

The gap between possible remittance and actual US dollars received widened, raising a loud question: where are the missing billions going?

The answer can be found in a recent World Bank study that said a 1 percent deviation between the formal and informal exchange rates is estimated to shift 3.6 percent of remittances from the formal to informal channel.

Considering the 2023 formal remittance inflow of \$22 billion, such a 1 percent deviation between the exchange rates would create a shift of about \$792 million outside the formal channel. Again, if that deviation was increased to 5 percent, the amount would be nearly \$4 billion.

Despite rate hikes through the crawling-peg system, a remittance receiver can get a maximum of Tk 117 per US dollar and the incentive from banks, whereas the domestic kerb market offers an exchange rate ranging from Tk 120 to Tk 125.

In 2022, former finance minister AHM Mustafa Kamal stated that just 51 percent of remittances to Bangladesh use formal channels.

There are reportedly more than 1 crore Bangladeshis working abroad.

Bangladeshis abroad continue to send money through informal channels, popularly known as hundi, allured by higher exchange rates and convenience. Even the government's 2.5 percent cash incentives prove lacking in adequate pull power.

In fact, cash incentives seemed to have widened the gap between the official and informal rates. The conventional view of the hundi business portrays migrant workers abroad as the primary drivers of demand. They seek hundi services to transfer their earnings back home. Hundi agents abroad and within the country are believed to control the supply side. At times, they also lend money in advance.

Remitters exchange their foreign currency with the hundi agent abroad, who subsequently instructs their agent in Bangladesh to pay the equivalent amount in Bangladeshi taka to local beneficiaries. The US dollars remain abroad.

The central bank has issued repeated instructions to banks, mandating remittance disbursement to beneficiaries within two days without imposing additional fees and fair pricing prioritising quick and cost-effective delivery.

A recent central bank monetary policy statement report outlines collaborative efforts between the Bangladesh Financial Intelligence Unit (BFIU) and other law enforcement agencies to identify individuals engaged in hundi activities and curb unofficial remittance channels.

The Probash pension scheme, designed to provide financial security for expatriates through long-term contributions, is reportedly on the wane. Low interest rates, the absence of a one-time payment facility, and the weakening value of the taka against the US dollar contributed to the scheme's attractiveness.

On the other hand, a praiseworthy policy is the tax remission on IT freelancers, who do not have to pay tax at source from IT freelancing jobs, encouraging growth in the digital economy.

While the government's initiatives exhibit positive steps towards enhancing the remittance landscape, addressing challenges such as hundi businesses and refining pension schemes would be crucial for sustaining long-term economic benefits.

However, the efficacy of these policies may go in vain if we fail to promptly stabilize the currency exchange rate through closing the gap between formal and informal markets.

Along with a rational exchange rate policy, whether floating or otherwise, and the encouraging behaviour of migrant workers, a strict mechanism to track money transfers from abroad is needed to check remittance leakage through hundi.

Expatriates should also be able to open bank accounts online. Also, the Expatriate Welfare Ministry's desk in our overseas missions should help Bangladeshis open bank accounts. If banks are kept off limits, it cannot be expected that remittance earners will be encouraged and move from one city to another to find a bank branch.

Many professionals, who invested in a US dollar bond, find their foreign currency account in a bank dormant every six months. It requires repeated reactivation.

If banking services remain complex and exchange rates not encouraging, when we are aggressively looking for US dollar earning non-resident Bangladeshis, then they will look for easier and faster ways to send money home.

The author is chairman of Financial Excellence Ltd.

India asked to boost bank scrutiny for politicians

REUTERS, New Delhi

The Financial Action Task Force (FATF), the global anti-money laundering watchdog, has asked India to improve due diligence on the bank accounts of local politicians, government officials and their families, two government sources said.

The recommendation for tougher checks on the finances of politically exposed persons (PEPs) is part of a FATF review of India's anti-money laundering systems that began in 2023. The group is due to publish its final report soon.

Under global rules, politicians, their families, and close associates are subject to checks on their bank accounts due to their potential susceptibility to bribery and corruption.

A FATF report shared with the government recommended more rigorous monitoring of the source of funds in the accounts of domestic PEPs as well as requiring senior bank managers to approve any new accounts for them or their families.

India already implements strict banking checks on foreign political figures.

The sources, who have been briefed of the FATF's recommendations, could not be named because they were not authorised to speak to the media. The FATF did not respond to requests for comment.

"There are areas where we need to improve which we will," a senior finance ministry source said.

Last December, before general elections that brought Prime Minister Narendra Modi back to power, the

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Global oil demand needs to rise faster to absorb Opec+ hike

REUTERS, London

Global oil demand growth needs to accelerate in coming months or the market will struggle to absorb an increase in oil supply that Opec+ is planning to make from October, according to data, analysts and industry sources.

Oil demand growth in the first seven months of the year from top consumers the United States and China had failed to meet some expectations even before renewed fears of a US recession triggered a global stock and bond sell-off this week.

If the economy slows further, oil demand growth will likely slow with it. That will mean Opec+ would either have to delay plans to pump more oil or accept lower prices for higher supply, analysts said.

"In current circumstances of significant risk of recession, it is unlikely Opec+ would move forward with the planned October increases," said Gary Ross, CEO of Black Gold Investors and a veteran Opec-watcher.

The price of oil has fallen below \$80 per barrel in August - less than most members of Opec+, or the Organization of the Petroleum Exporting Countries and allies such as Russia, need to balance their budgets.

"Oil demand definitely has a downside

risk," said Neil Atkinson, an independent analyst who previously worked at the International Energy Agency, citing concern about Chinese and US economies.

"It's very difficult to see how prices can rise significantly if demand is slower

than we thought" he said, adding that he expected Opec+ to hit pause on its output increase.

For the first seven months of 2024, China's crude imports totalled 10.89 million barrels per day, down 2.4 percent



An offshore oil platform is seen in Huntington Beach, California. Oil demand growth in the first seven months of the year from top consumers like the US and China had failed to meet expectations.

PHOTO: REUTERS/FILE

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