

Star BUSINESS

Private investment as a percentage of Bangladesh's gross domestic product (GDP) has been declining for the past three years.



Story on B4

Committee formed to find BB deputy governors

STAR BUSINESS REPORT

The interim government has formed a three-member search committee to find appropriate candidates for deputy governors of Bangladesh Bank (BB).

The committee is led by former comptroller and auditor general Mohammad Muslim Chowdhury, according to Financial Institutions Division (FID) under the finance ministry.

Two other members are former BB chief economist Mustafa K Mujeri and Nazrul Huda, a member of the BB board of directors.

Badre Munir Firdaus, joint secretary to the FID, will work as a member secretary for the committee, according to a notification.

The interim government formed the search committee following the resignation of two deputy governors yesterday

The interim government formed the search committee following the resignation of two deputy governors -- Khurshid Alam and Kazi Sayedur Rahman -- yesterday amid protests following the fall of the Sheikh Hasina-led Awami League government last week.

On Friday, BB Governor Abdur Rouf Talukder also resigned and the interim government accepted his resignation on Sunday.

Currently, the deputy governor Nurun Nahar has been serving as acting governor for daily routine work.

The interim government is likely to hire the governor as soon as possible, according to a finance ministry official.

Several banks are clinically dead: CPD

PROBLEMS IN BANKING SECTOR (As per CPD)

- Several banks are clinically dead
- Performance of some banks deteriorated following hostile takeovers
- Some Tk 92,261cr was embezzled in 24 major banking scams in 15yrs
- NPLs rose to Tk 182,295cr as of 2024 from Tk 22,481cr in 2009
- Up to \$67b was laundered abroad illegally between 2007 and 2014*
- Bankruptcy Act only covers individuals
- Bad loans are rescheduled repeatedly
- Banks have weak internal control and risk management

RECOMMENDATIONS

- Repeated rescheduling of default loans must stop
- Appointment of board members of state banks should be depoliticised
- An individual or group should not be allowed to own more than one bank
- Banks on the verge of collapse should be allowed to shut down
- Autonomy of the BB should be upheld
- Financial Institutions Division should be closed down
- Bank accounts of wilful defaulters should be frozen

OBSERVATIONS REGARDING BB AND FINANCE MINISTRY

- BB does not make independent decisions
- BB governors helped vested groups in the last 15yrs
- Finance ministry influences hiring of state banks' directors

*As per Global Financial Integrity

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Several banks in Bangladesh are clinically dead but are being kept alive through bailouts, said Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD).

Banks on the verge of collapse should be allowed to shut down, Fahmida said while presenting a paper at a media briefing, titled "Bringing discipline back to the banking sector immediately", organised by the think-tank at its office in the capital yesterday.

The CPD organised the briefing just a few days after an interim government was sworn in following the fall of Sheikh Hasina led Awami League government in the face of a mass uprising on August 5.

Fahmida said some third and fourth-generation banks that were awarded licences during the Awami League's 15 years in power are now ailing.

"Additionally, several previously good banks have experienced an unfortunate decline in their performance after hostile takeovers by crony capitalists," she said.

For example, Islami Bank Bangladesh was debilitated after S Alam Group took over the bank and took out about Tk 30,000 crore in loans.

Similarly, state-run Janata Bank lent Tk 10,000 crore to Anontex Group, violating the single borrower exposure limit.

"If a single borrower gets so much money, then what will other clients get?" she questioned.

These ailing banks are being kept alive by injecting public money, Fahmida said, adding that it would be better to let such lenders die.

The CPD also said that around Tk 92,261 crore was embezzled through 24 major banking scams between 2008 and 2023.

Several previously good banks have experienced an unfortunate decline in their performance after hostile takeovers by crony capitalists

Fahmida Khatun
Executive director of CPD

The amount is equivalent to 12 percent of Bangladesh's national budget for FY24, or about 2 percent of the country's gross domestic product for FY23.

According to the brief, the banking sector, a vital pillar of the economy, is suffering from vulnerability manifested through high loan defaults. It added that the previous

government regrettably did not keep its commitments to safeguard the banking sector.

Speaking about the autonomy of the central bank, Fahmida said the Bangladesh Bank does not make independent decisions about its operations or the formation and implementation of the monetary policy.

She said the autonomy of the central bank should be upheld in line with the Bangladesh Bank Amendment Bill 2003, adding that the Financial Institutions Division (FID) of the finance ministry should be scrapped to strengthen the autonomy of the central bank.

The CPD added that the mandate of the FID directly contradicts the Bangladesh Bank Order, 1972 since it allows the FID to exercise its authority in the governance of the central bank.

According to the Bangladesh Bank (Amendment) Act, 2003, any new governor or deputy governor should not be a current or former government official. But this rule is not followed in practice in the country, the brief added.

In the last 15 years, the governors of the Bangladesh Bank helped vested quarters, either by ignoring existing rules or changing the laws to favour them, Fahmida said, adding that such instances should be investigated and governors concerned should be held accountable.

READ MORE ON B3

Khairul, Shibli commissions ruined market Say stock brokers

STAR BUSINESS REPORT

The stock market was ruined over the last 14 years during Prof M Khairul Hossain and Prof Shibli Rubayat-ul Islam's tenures at the helm of the securities regulator as they engaged in unprofessional and illegal activities, according to the DSE Brokers Association of Bangladesh (DBA).

DBA President Saiful Islam made the allegations against the former chairmen of the Bangladesh Securities and Exchange Commission (BSEC) during a press conference at the Dhaka Club yesterday.

Islam said the two professors had been running the BSEC since 2011, but the market had not seen any development during their 14 years at the helm. Instead, they had brought people's confidence to its nadir.

He added that they had not only failed to ensure transparency, good governance and accountability, but also could not curb insider trading or other forms of stock manipulation. They were also unsuccessful in bringing good companies to the market.

"Moreover, they were involved in irregularities," Islam said.

Most companies listed over the last 14 years are poor performers and were approved despite the Dhaka Stock Exchange's (DSE) objection.

He alleged that the BSEC threatened the DSE, saying it would use the powers afforded to it under Section 2CC of The Securities and Exchange Ordinance to bind them.

Section 2CC gives the securities regulator huge power, stating that the BSEC's orders will supersede any other order.

"Irregularities and corruption in the name of approval of IPOs were concerning under the Khairul and Shibli commissions," Islam said.

Along the same vein, several companies listed

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STOCKS	
DSEX ▲	CASPI ▲
1.39%	0.72%
5,932.27	17,157.54

COMMODITIES	
Gold ▲	Oil ▲
\$2,441.59	\$77.66
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.07%	▲ 0.56%	▼ 0.81%	▼ 0.14%
79,648.92	35,025.00	3,235.38	2,858.20

Businesses want fast restoration of law and order

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Businesspeople want law and order to be restored fast and safety and security be ensured for the resumption of their trade soon under the new interim government led by Nobel laureate Prof Muhammad Yunus.

Business was affected a lot during the latest spells of violence and curfew and the entrepreneurs now want to get down to brightening the country's image.

A whitepaper needs to be published on how the latest export, import and other economic data was miscalculated and ways to prevent a recurrence, businesses said.

On top of it, the interim government needs to defer Bangladesh's status graduation from a least developed to a developing nation so that trade benefits can be availed until trade and businesses gain some strength.

The demands came at a views-exchange meeting organised by the Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) at the Sonargaon hotel in Dhaka on the current situation of export-oriented businesses.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, moderated the meeting, which was attended by a group of businesspeople from different sectors, especially garment and textile entrepreneurs.

Shams Mahmud, managing director of Shasha Denims, said Bangladesh does not need the status graduation right now as the trade benefits as a least developed country are required for preferably 10 more years.

Shafiqullah Chowdhury, vice president of the Exporters Association of Bangladesh, said safety concerns and a lack of confidence were the main challenges in business now.

There are fears that goods could be looted while being transported between ports and factories while foreign buyers are

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Bangladesh's credit rating depends on political stability: Moody's

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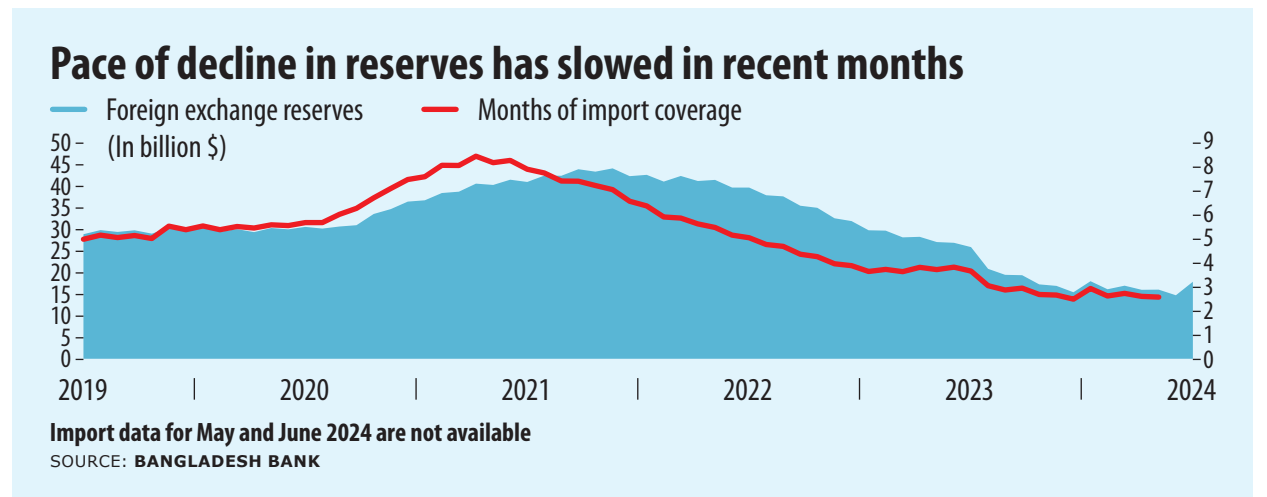
Bangladesh's credit rating will depend on maintaining political stability and the interim government committing to structural reforms, said US ratings agency Moody's.

The agency said credit ratings might worsen if prolonged political or social unrest derails progress on structural reforms and dampens growth or if the interim government deviates from its commitments to structural reforms.

The observation was issued on August 8, when an interim government led by Nobel laureate Prof Muhammad Yunus was sworn in after a mass uprising toppled the Sheikh Hasina-led government.

"It is unclear whether the political and social unrest will subside following Hasina's departure and questions remain over the formation of the interim government headed by Yunus, an economist who founded microfinance institution Grameen Bank," Moody's said.

"We expect short-term disruptions in remittance and financial flows as risk-averse individuals, investors,



and companies pause in repatriating or investing their capital in Bangladesh amid the heightened political uncertainty, weakening the government's external position," it added.

It said a reduction in remittances would in turn reduce banks' foreign currency liquidity, which accounts for a significant portion of banks' liquid assets.

The Moody's views come more than a week after S&P Global downgraded Bangladesh's long-term sovereign rating from BB- to B+ amid deadly protests over the quota-based hiring system for government jobs.

Some 551 people, including students, died as of August 7 amid clashes that saw law enforcers open fire on protesters.

Moody's said Bangladesh's economy

may grow 5.5 percent to 6 percent in FY25. But inflationary pressure since mid 2022 persists, which has led to a curb in domestic consumption and a decline in real wages, it added.

Prolonged social unrest could continue to weigh on domestic consumption, which accounted for about 66 percent of the country's GDP in the past five years.

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