

Grameenphone and Robi have secured a spectrum allocation of 20 megahertz each to boost the quality of their services.

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Credit rating may worsen if political transition faces challenges

US rating agency Fitch says on Bangladesh

STAR BUSINESS REPORT

Bangladesh's credit rating may worsen if the political transition faces challenges or leads to policy paralysis and exacerbates fiscal or external stresses, warned American credit rating agency Fitch Ratings yesterday.

"The fall of the Awami League led government, after protests in July and August, raises uncertainty about the sovereign's credit profile," it said.

The credit rating agency, which downgraded Bangladesh's rating to B- from BB- in May 2024, said the demotion reflected a sustained weakening of the country's external buffers, leaving the

remittance inflows, Bangladesh's two key sources of foreign earnings. At this stage, we assume these effects to be temporary, and that political stability will be restored and sustained," it said.

Fitch said the appointment of an interim government on August 9 appears to have eased the immediate political instability "but Bangladesh's society remains highly polarised and the longer-term political direction uncertain".

A roughly 11 percent recovery in the Dhaka Stock Exchange's benchmark index, the DSEX, between the end of July and August 13 signals moderate investor confidence in the interim administration, suggesting that there is a low risk of large-

Extortion, a cause of high prices, sets alarm bells ringing

AHSAN HABIB and SUKANTA HALDER

Just a day after a mass uprising toppled Sheikh Hasina's government on August 5, a group of people, introducing themselves as activists of a major political party, visited an outlet of a leading footwear maker in Rangpur and demanded Tk 5 lakh in return for allowing the showroom to operate.

The company declined to provide the sum, but the group warned they would come again.

The same day, a businessman running a joint venture factory in Chattogram's Anwara upazila, located more than 550 kilometres southeast of Rangpur, received a phone call from a person claiming to be a leader of the student front of a political party.

The caller demanded money from the businessman, hinting that there would be consequences if the amount was not paid.

Similarly, a group of people demanded Tk 10 lakh from a top official of a real estate firm in Savar, on the outskirts of the capital Dhaka. They threatened to set the firm's offices ablaze unless the money was given.

Such examples do not end here. Over the past week and a half

since the political changeover, many businesses have complained of attempted extortion.

Such complaints reverberated at a conference organised by the business community on Wednesday.

Mir Nasir Hossain, a former president of the Federation of Bangladesh Chambers of

action against perpetrators.

"I have requested the army chief to break your [extortionists] legs... I don't care, go to hell," he said.

"Whoever resorts to extortion -- no matter what party you are associated with -- I ask the people to give them a beating. Those who extort, catch them on the spot.

occurred at all stages, from production to transportation and sales, significantly raising commodities prices.

It also reduces the competitiveness of exporters as their costs are raised without any value addition.

However, although businesses have taken a vocal stance against extortion over the years, no government has taken strict steps to curb it.

Instead, when the government changes, the baton of extortion is passed. This was reflected by the experiences of a street food seller in Mirpur's Rupnagar area.

"Some people came to me on Wednesday and said I would have to pay Tk 300 per day from now on," he lamented, adding that he paid Tk 50 per day to ruling party men during the Awami League government's tenure.

Risan Uddin, an apparel seller in the capital's Farmgate, said he had to pay Tk 500 per day to extortionists during the previous government's tenure.

He added that no one had attempted to extort him yet. He further said that some people came on August 7 to enquire about whether he had been facing any problems after reopening his

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Commerce and Industry (FBCCI), said extortion was a longstanding concern.

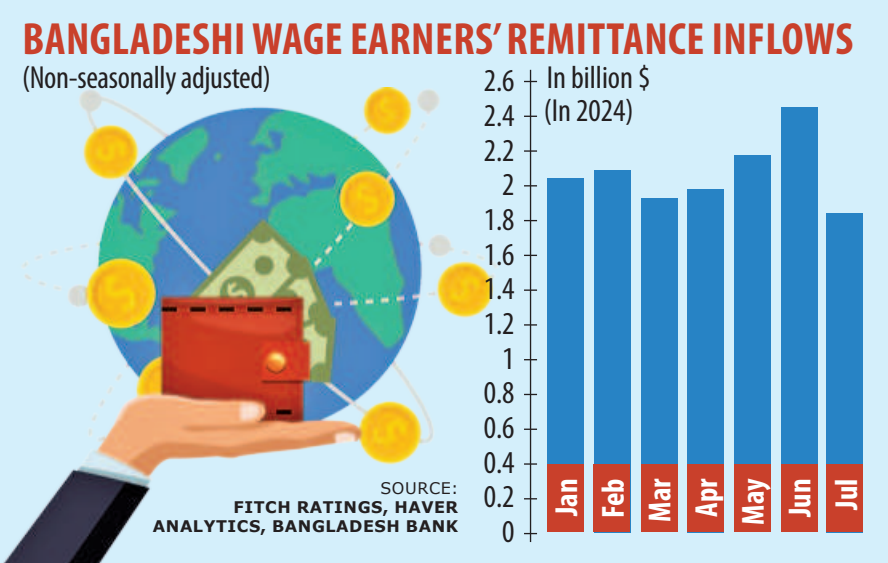
Businesses present at the conference supported his allegations, shouting: "Right, right."

The allegations came several days after Home Affairs Adviser Brigadier General (retired) M Sakhawat Hussain warned extortionists by threatening tough

We'll do what needs to be done. We'll restore law and order. The country cannot run like this. We cannot lease out the country."

Even during Hasina's tenure, businesses complained about extortion, a menace that has been blamed for increasing the cost of business and thereby contributing to hikes in the prices of commodities and essentials.

Businessmen said extortion



country more vulnerable to external shocks.

"We believe that this weakening will be challenging to reverse, despite reforms under a programme backed by the International Monetary Fund (IMF), including a shift towards greater exchange-rate flexibility," it said.

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

At the end of July, 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, which culminated in the ouster of the Sheikh Hasina-led Awami League government.

Fitch Ratings said the protests would likely affect economic metrics in the current quarter, hurt growth and tax revenue collection, and push up inflation, which hit 11.7 percent year-on-year in July 2024.

"There is also likely to be an impact on readymade garment (RMG) exports and

scale capital flight for now, it said.

"However, confidence could weaken if the ongoing transition does not go smoothly and adverse economic effects could mount," it added.

"The timing of prospective elections remains unclear. Deciding this, and subsequently holding elections, could raise political risk," said Fitch.

Furthermore, the ratings agency said political gridlock remains a possibility following such elections, as a diverse range of political actors compete for power.

The actors are the somewhat weakened Awami League, the Bangladesh National Party, the other main party, the student movement that led the recent protests, the military, and Islamist groups, it said.

"Another risk is that foreign firms could scale back RMG orders or source from other markets, which could add to external pressures," it said.

"We stated in May that increased external vulnerability, for example, due to a marked decline in foreign exchange reserves or other liquidity buffers, could lead to negative rating action," said Fitch.

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BB officials demand full autonomy of the central bank

STAR BUSINESS REPORT

The Bangladesh Bank Officers' Welfare Council has urged the interim government to amend the Bangladesh Bank Order 1972 to ensure complete autonomy of the central bank by establishing administrative, operational and financial independence.

The council made the demands through a memorandum submitted to the finance adviser of the interim government yesterday.

Council leaders later informed journalists of their demands during a press conference at the Bangladesh Bank headquarters in Dhaka.

Tanveer Ahmed, acting president of the Bangladesh Bank Officers' Welfare Council, AKM Masum Billah, general secretary, and other leaders were also present.

They also demanded the dissolution of the Financial Institutions Division of the finance ministry in order to avoid any conflicts of interest and dualism in the banking sector.

Amendments to the related laws, rules and other reforms were also sought to restore good governance in the banking and financial sectors.

The council recommended that the central bank be kept free of political interference or influence and instead be allowed to focus on its tasks such as managing interest and exchange rates and licensing banks or other financial institutions.

Other demands include structural reforms to the central bank's board of directors and making its governor position a constitutional post.

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Repairs to metro rail will cost public funds in absence of insurance

SUKANTA HALDER

Public funds will be used to pay for repairs to Dhaka Metro Rail stations in the capital's Kazipara and Mirpur-10 areas as the popular mass rapid transit system is uninsured.

Mohammad Zakaria, additional director of the Mass Rapid Transit (MRT) Line-6 project, said the previous government did not insure the metro rail after it began operations in late 2022.

However, the project was under coverage during construction, he added.

The stations were damaged amid clashes between pro-government forces and protesters during a recent mass uprising that ended with Sheikh Hasina's resignation from her post as prime minister.

However, the repair costs will put more pressure on the public treasury, an official of the Sadharan Bima Corporation, the only state-owned non life insurer, said on condition of anonymity.

"If it had been insured, the government wouldn't have to pay for repairs from its coffers," the official added.

An official of the Dhaka Mass Transit Company Limited, which operates the metro rail, said the cost of repairs should not exceed Tk 50 crore.



The ticket vending area at the station of Dhaka Metro Rail in the capital's Mirpur-10 was vandalised during the countrywide unrest on July 19. PHOTO: RASHED SHUMON

He also informed that everything inside the metro stations, including ticket vending machines, police control rooms, computers, and security systems, had been smashed to bits.

On the evening of July 19, unidentified miscreants took advantage of the ongoing unrest to carry out mindless attacks on the Mirpur-10 and Kazipara stations.

Although the metro rail is set to resume

operations on August 17, the two stations will remain shuttered until repairs are complete.

Before the service was halted, more than 3 lakh people used the metro rail daily.

Citing that insurance coverage would have at least reduced the burden, the Sadharan Bima official said a reluctance to get insurance is a longstanding problem in Bangladesh.

"We want every state-owned asset to be insured, but our country does not have that culture. People abroad mitigate their risks with insurance, but we sit on it and that is a big problem."

An official of the Financial Institutions Division under the Ministry of Finance echoed the same.

"If the government had opted for insurance, the cost of repairs would not strain on the public treasury," the official said.

In February this year, the Insurance Development and Regulatory Authority sought cooperation from ministries and other public entities to expand insurance coverage in the country.

The insurance regulator sent a letter to the Financial Institutions Division on February 15, seeking an inter-ministerial meeting in this regard.

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