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Bangladesh Bank Governor Ahsan H Mansur urged banks to be compassionate when dealing with farmers who fail to repay loans

Story on B4



Fixing boards of ailing banks is first step for good governance

BB governor says in interview

MD MEHEDI HASAN

Reconstituting the board of directors of ailing banks is the first step towards bringing good governance and discipline to the banking sector, according to Bangladesh Bank Governor Ahsan H Mansur.

The country's central bank has already reconstituted the board of some banks in which S Alam Group held a majority stake, Mansur said in a recent interview with The Daily Star.

The eminent economist was appointed as governor of the Bangladesh Bank on August 14. He replaced Abdur Rouf Talukder, who stepped down from the post following the ousting of the Sheikh Hasina-led Awami League government on August 5.

Of the banks with reconstituted boards, S Alam Group held a roughly 80 percent stake in Islami Bank Bangladesh, Social Islami Bank, Global Islami Bank and Union Bank.

The central bank governor said they will take over the shares of S Alam Group against its liabilities to these banks in order to sell them and return depositors' funds.

The boards of two other lenders -- National Bank and United Commercial Bank -- were also reformed.

Mansur informed that, in most cases, they are reconstituting the preliminary board of ailing banks. Regarding the selling of S Alam's shares, he said this would allow new sponsor directors to come to



Although the unrest stemming from nationwide protests is fading and shopping centres have opened their doors, customer footfall has not picked up. Recent floods, alongside persistently high inflation, have also impacted consumer behaviour. As such, shopping centres and malls remain relatively desolate. The photos were taken in Farmgate yesterday. PHOTO: PRABIR DAS

Business activities yet to come back on track

JAGARAN CHAKMA

Flash floods across parts of the country, the lingering effects of recent nationwide political upheaval, and persistent inflationary pressure have prevented business activities from getting back on track, according to businesspeople.

As uncertainty and fear are still clouding people's minds, they are not interested in shopping, businesspeople said.

However, they believed business activities would gradually return to normalcy, saying that there was no alternative but to wait for better days.

"The months-long political unrest stemming from the student movement, coupled with recent floods, caused sales and demand to drop to inadequate levels. So, businesses are enduring a difficult time," said Tapan Sengupta, deputy managing director of BSRM, a leading steel manufacturer.

He said that sales of construction materials usually decline in the rainy season, with demand for steel significantly reduced during the monsoon months.

"However, various elements have emerged and hampered business in nearly all sectors."

Since demand from clients and dealers has declined substantially, BSRM has only been partially running its production units in order to avoid a stockpile of goods, he informed.

Sales will not improve until consumer confidence is restored, and development projects are resumed, he opined.

Rupali Chowdhury, managing director of Berger Paints Bangladesh, said domestic

consumption of fast-moving consumer goods and construction materials has declined significantly since last year.

"The recent unrest added to this, which is unfavourable for business growth," she said.

Consumers are uninterested in spending money on non-essential products in the current situation, she noted.

Chowdhury, also a former president of the Foreign Investors' Chamber of Commerce and

fundamental reason for the decline in sales.

Inflation hit 11.66 percent in July this year, the highest in at least 13 years, while food inflation soared to at least a 10-year high of 14.1 percent, according to the Bangladesh Bureau of Statistics.

"Later, unrest and flash floods exacerbated the situation," he said.

However, Hoque believes the situation will gradually improve as the political situation becomes more stable.

Mohammed Amirul Haque, managing director of Premier Cement Mills PLC, said the business situation had been beyond anyone's control since mid-July.

"Demand declined significantly due to the monsoon season and also because customers are yet to regain confidence. In this situation, we are running the manufacturing units partially," he said.

"Despite having no control over the situation, we are trying to do our best to handle the challenges," Haque added.

He also stressed the need for policy support from the interim government.

MA Jabbar, managing director of DBL Group, said factories in Mymensingh's Bhaluka area and Gazipur's Kashimpur locality are contending with an acute gas and power supply crisis.

"In this situation, we are running the factories with diesel to ensure power, which increases the cost of production," he said.

Although demand is slow at the moment, manufacturers may be unable to ensure adequate supply as production is being hampered due to the gas crisis, he added.

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Governor says...

- BB will reconstruct boards of ailing banks to bring good governance
- New sponsor directors could be from Bangladesh or abroad
- Honest people with strong financial condition are required as sponsors
- BB will go after the assets of borrowers like S Alam
- BB will ask for support from World Bank to get back laundered money

the boards.

"The new sponsor directors could be from home or abroad. Shares will be available for all investors," Mansur added.

However, the central bank governor also said they will ensure that only fit and proper people assume the post.

"Honest people with strong financial condition are needed as sponsor directors for ailing banks," he said. "We will go after the assets of borrowers or directors like S Alam if needed."

Regarding the recovery of laundered money, Mansur said the Bangladesh Bank and other related authorities will speak with counterparts abroad to bring back the funds.

"We will also seek support from the World Bank," he added, informing that the US government was interested in helping in this regard.

"We will not give up anything we can recover."

Furthermore, Bangladesh is already in talks with the International Monetary Fund (IMF) and other multilateral agencies for additional loans.

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Banks to quote a maximum of Tk 120 per USD

STAR BUSINESS REPORT

The treasury heads of banks in Bangladesh yesterday decided to quote Tk 120 per US dollar as the maximum exchange rate for the greenback or its equivalent in other currencies.

The decision was reached in a virtual meeting featuring the treasury heads of 40 banks.

A treasury head of a private commercial bank told The Daily Star that the decision was taken based on the crawling-peg exchange rate.

"We took the decision to avoid anomalies in the foreign exchange market," he added.

The central bank introduced the crawling-peg in early May this year, moving away from administered rates of US dollars, in a bid to gradually allow demand and supply

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White paper to assess extent of corruption

Says Debapriya Bhattacharya

STAR BUSINESS REPORT

The committee tasked with formulating a white paper on Bangladesh's economy will assess the extent of corruption in the country and identify the reasons behind it, according to Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

However, he said that it would not identify any individuals involved.

"Many people think it is a committee to catch corrupt people, but that is not its purpose. Instead, it will explain why corruption occurred and to what extent," he said.

"The government has its own agencies for finding those responsible."

Bhattacharya, team leader of the 12-member committee tasked with preparing a white paper on the state of the economy, was speaking at a press briefing after the committee's first meeting at the Planning Commission in Agargaon yesterday.

Asked whether the committee would publish the names of corrupt individuals, he said it was out of the question.

Regarding the main tasks of the

committee, he said they will highlight the challenges in managing the economy and present its true state with data. The report will not detail why these challenges arose, but some indications will be provided.

"At the same time, we will offer some hints on how to overcome these challenges," Bhattacharya said.

It will also mention measures that can safeguard the country from plunging into such a crisis in the future.

It will not evaluate the activities of the previous government, but will make recommendations to the current government to avoid repeating past mistakes.

He also informed that the newly formed committee would only discuss the country's mega projects instead of all development projects.

"We are not going to discuss all development projects. We will review the mega projects. If it is necessary to examine any specific project in detail, we will do so," he said.

"We will review the necessity of undertaking these mega projects and the

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External deficit falls to three-year low

Analysts term it positive

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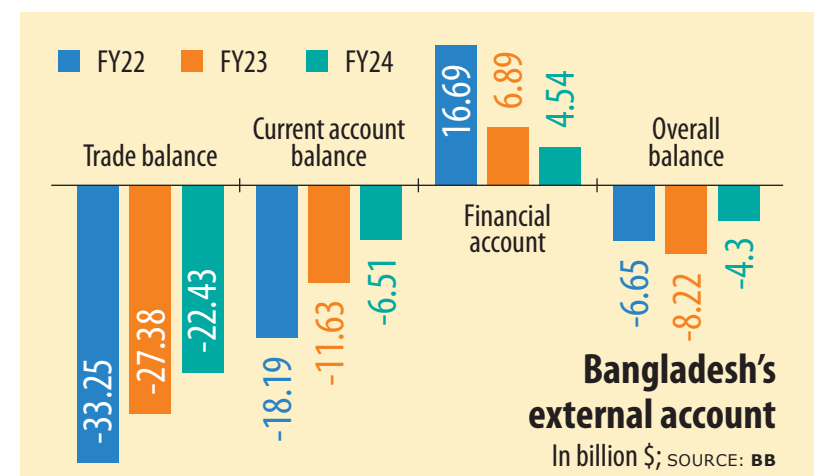
Bangladesh's overall external deficit nearly halved in fiscal year (FY) 2023-24, hitting the lowest mark in three years, a positive development which is expected to ease the pressure on forex reserves and reduce exchange rate volatility.

At the end of FY24, the overall external deficit stood at \$4.3 billion, down 48 percent year-on-year from \$8.2 billion a year ago, according to Bangladesh Bank data on the Balance of Payments, which records a country's transactions with the rest of the world.

The current account balance, which includes inflows and outflows to and from a country through exports, imports, interest payments and remittances, also improved in FY24, which ended on June 30.

The BB said the current account deficit narrowed to \$6.5 billion in FY24 from \$11.6 billion a year ago, reflecting a 44 percent year-on-year fall.

Trade imbalance declined 18 percent year-on-year to \$2.24 billion in FY24 despite a fall in export earnings. This was because import



contractions helped to cut the deficit.

"Overall, this is a positive development," said Monzur Hossain, research director of the Bangladesh Institute of Development Studies (BIDS).

He said the reduction in the overall deficit may foster stability in the exchange rates, adding that the pressure on foreign exchange reserves will also reduce.

"At the same time, the concerning

aspect is that stability is coming at the cost of imports," Hossain said, adding that this would have implications on industries and consumption.

Amid consistent shortfalls of foreign exchange and declining forex reserves, the central bank, on various occasions since 2022, has discouraged imports of non-essential or luxury items.

"It would be good to relax imports

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