

star BUSINESS

Fresh vegetable and fruit exporters are apprehending a drop in sales of perishables following a hike in cargo freights, particularly by Biman Bangladesh Airlines



Story on B4

2 shell companies in Ctg drained Tk 2,343cr from Islami Bank

MD NAZRUL ISLAM, Chattogram

Islami Bank Bangladesh granted huge loans to various entities from its Chattogram branches. But there's just one problem: thousands of crores were disbursed to firms that exist only on paper.

An investigation by The Daily Star has uncovered that loans worth Tk 2,343 crore were given to two entities in the port city that are merely shell companies.

Ansarul Alam Chowdhury and Mohammad Golam Sarwar Chowdhury, relatives of Mohammad Saiful Alam, who owns the Chattogram-based conglomerate S Alam Group, are at the centre of the anomalies.

These two individuals allegedly circumvented banking norms to secure the loans from Islami Bank's Chaktai branch in Chattogram, according to multiple audits by the Bangladesh Bank.

Besides, insiders alleged that the two borrowers obtained the loans using their connections with the S Alam Group, which took over Islami Bank in 2017.

According to bank documents, both companies claimed to be in the edible oil trade, but no business activities, such as any operational oil refinery, were found at their registered addresses.

Locals confirmed that these companies did not conduct any operations in those areas.

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Established in 2020 with a capital of Tk 8 lakh, Inherent Trading and Impex Limited was able to secure a huge loan of Tk 1,289.53 crore within two years.

These loans were disbursed in four instalments by the Chaktai branch, with minimal collateral backing the substantial amount.

Alam established Inherent Trading and Impex Limited, supposedly based in Chattogram's Khatunganj wholesale market, while Sarwar set up M/S Murad Enterprise.

The case of the latter company is equally troubling.

Murad Enterprise, which listed trading of sugar, soybean and palm oil as its operations, is reportedly working on behalf of S Alam Group.

Between December 6 and December 15, 2022, Murad Enterprise received Tk 1,054.38 crore in loans from the Chaktai branch, secured by a mix of personal guarantees, post-dated cheques and 12 Mudaraba Term Deposit Receipts totalling Tk 270 crore from other banks.

Before being apprehended yesterday while attempting to flee the country, Alam was contacted by The Daily Star.

Upon hearing the questions, he disconnected the phone call. He did not respond to further messages.

Security officials at Chattogram Shah Amanat International Airport detained Alam from a Dubai-bound flight yesterday morning, according to Patenga police station's Officer-in-Charge Mahfuzur Rahman.

Islami Bank officials refused to share any additional information.

However, they said they had started compiling a list of dubious loan recipients to forward to the Bangladesh Bank following the mass uprising that overthrew the Sheikh Hasina-led Awami League government on August 5.

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Assess loan exposure to influential people

BB asks restructured banks

MD MEHEDI HASAN

The Bangladesh Bank (BB) has instructed the recently restructured banks to identify and assess their loan exposure to politically exposed and important persons as they might fail to repay the loans.

A politically exposed person is an individual who has been entrusted with prominent public functions. It includes ministers, members of parliament, senior executives of state-owned enterprises, and directors or members of the board of international organisations.

The central bank also sought details of the securities and collateral against the loans.

After Ahsan H Mansur was appointed to the post of central bank governor on August 14, the Bangladesh Bank reconstituted the boards of Islami Bank Bangladesh, Social Islami Bank, Global Islami Bank, Union Bank, National Bank, First Security Islami Bank, United Commercial Bank and Exim Bank.

Most of these lenders were controlled by the Chattogram-based S Alam Group.

Founded in 1985 by Mohammad Saiful Alam, a relative of former Awami League politician Akhtaruzzaman Chowdhury Babu and former land minister Saifuzzaman Chowdhury, S Alam Group has grown into one of the country's largest conglomerates.

Bank documents show that the S Alam Group and companies associated with it took out loans amounting to Tk 95,331 crore between 2017 and June this year from the six banks, plunging them into a severe liquidity crisis.

Of the sum, around 79 percent or Tk 74,900 crore came solely from Islami Bank. It accounts for 47 percent of the lender's total outstanding loans as of March this year.

The central bank's instruction came a few days after its governor said that the banking regulator would take over the shares and assets of borrowers like S Alam against their liabilities and sell them in order to return depositors' funds.

A senior central bank official told The Daily Star on condition of anonymity that the BB governor would meet with the newly formed board of directors of restructured banks.

He added that the new board members would have to present specific plans to recover stressed

RESTRUCTURED BANKS



Islami Bank Bangladesh, Social Islami Bank, Global Islami Bank, Union Bank, National Bank, First Security Islami Bank, United Commercial Bank, and Exim Bank

BB instructions to restructured banks

Devise a plan to recover stressed loans

Identify loans of politically exposed/important persons

Provide details of collateral against stressed loans

Make a recovery plan for the exposures

Make a plan to restore liquidity position

Devise a plan to increase remittance

loans, restore liquidity and increase remittance inflows.

Mohammed Nurul Amin, newly appointed independent director and chairman of Global Islami Bank's board, told The Daily Star that the central bank asked for a strategic plan and roadmap for loan recovery, restoring liquidity and raising remittance inflows.

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NBR finally scraps provision to whiten money

STAR BUSINESS REPORT

The revenue administration has abolished the black money whitening provision, a scope that allowed both individuals and companies to legalise their undisclosed income by paying a 15 percent tax and avoid any potential scrutiny.

Terming the provision "discriminatory" for a fair and equitable tax system, the National Board of Revenue (NBR) scrapped the provision yesterday by issuing a notification.

A maximum of 25 percent tax is payable on an individual's income.

A taxpayer having over Tk 4 crore-worth net assets also has to pay a wealth tax surcharge on top of their regular income tax. The maximum surcharge rate is 35 percent, according to NBR.

"So, allowing black money to be whitened by paying merely a 15 percent tax is discriminatory to a just and equitable tax system," said the NBR's notification.

The development comes a few days after the interim government said it had decided to scrap the money whitening provision.

Asked whether there was any pressure opposing the NBR's latest move, NBR Chairman Abdur Rahman Khan said, "The interim government was against the provision and the decision came from the advisory committee led by Prof Muhammad Yunus."

"It simply demoralises the honest taxpayers and weakens the tax administration," he said.

The scope to whiten money had drawn sharp criticism from economists, trade bodies and civil society.

Backtracking on its promise to eliminate black money, the then government hoped the money-

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Corrected export data soon: EPB

STAR BUSINESS REPORT

The Export Promotion Bureau (EPB) is set to publish export data based on a new calculation after months of a hiatus following the revelation that there were significant discrepancies between its data and that of the central bank in the last fiscal year.

The bureau informed Salehuddin Ahmed, the interim government's finance and commerce adviser, at a meeting at Bangladesh Secretariat yesterday that they had already revised the export data.

"We've discussed a wide range of issues

including export data as there were some issues between the export data of EPB and NBR (National Board of Revenue)," Salehuddin told journalists after the meeting.

"I've asked them (EPB) to ensure consistency in the final export data and it will be done as soon as possible. I've also asked them (EPB) to make a projection," he said.

Salehuddin said an EPB board meeting would be held soon where all such matters would be finalised.

On July 3, Bangladesh Bank (BB) released data of the balance of payments

(BoP) for the July-April period of fiscal year 2023-24.

It showed that the country's exports were nearly \$14 billion below the figure reported earlier by the EPB.

At that time, the central bank discovered six types of statistical wrongdoings which had led to inflated export data.

The EPB stopped publishing export data from July of 2024.

EPB officials said they have met with the NBR, Bangladesh Export Processing Zones Authority, Bangladesh Bank, and the Bangladesh Bureau of Statistics to discuss ways of collecting accurate export data.

They also said to have gathered export data from these organisations.

However, Bangladesh Bank has continued to publish export data.

In its latest BoP data, the Bangladesh Bank reported that the export value stood at \$40.8 billion in FY24, down nearly 6 percent year-on-year.

The EPB officials said there may be some differences between the data from the central bank and that from the EPB as the central bank's figures are based on the receipt of export proceeds while the EPB's figures are based on shipment data.

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