

Islamic banking sector has registered growth in deposits in June although several Shariah-based lenders faced widespread scams and irregularities

Story on B4



## BB forms new boards for two more banks, one NBFI

STAR BUSINESS REPORT

Bangladesh Bank has formed new boards of directors for two more banks and a non-bank financial institution as a part of its ongoing reform initiatives for the banking sector.

The three are Bangladesh Commerce Bank, Al-Arafah Islami Bank and Aviva Finance. S Alam Group is one of the major shareholder in all three.

The central bank issued separate letters to this end yesterday.

In Bangladesh Commerce Bank, Md Ataur Rahman, former executive director of Bangladesh Bank, Md Mohsin Mia, former additional managing director of Meghna Bank, and Sheikh Ashrafuzzaman, a chartered accountant, have been appointed as independent directors.

Besides, Kamrul Hoque Marul, joint secretary to Financial Institutions Division under the finance ministry, and Md Golam Mortuza, deputy managing director of Janata Bank, have been made directors.

Meanwhile, Khwaja Shahrir, managing director of LankaBangla Finance, has been appointed as the independent director and chairman of Al-Arafah Islami Bank.

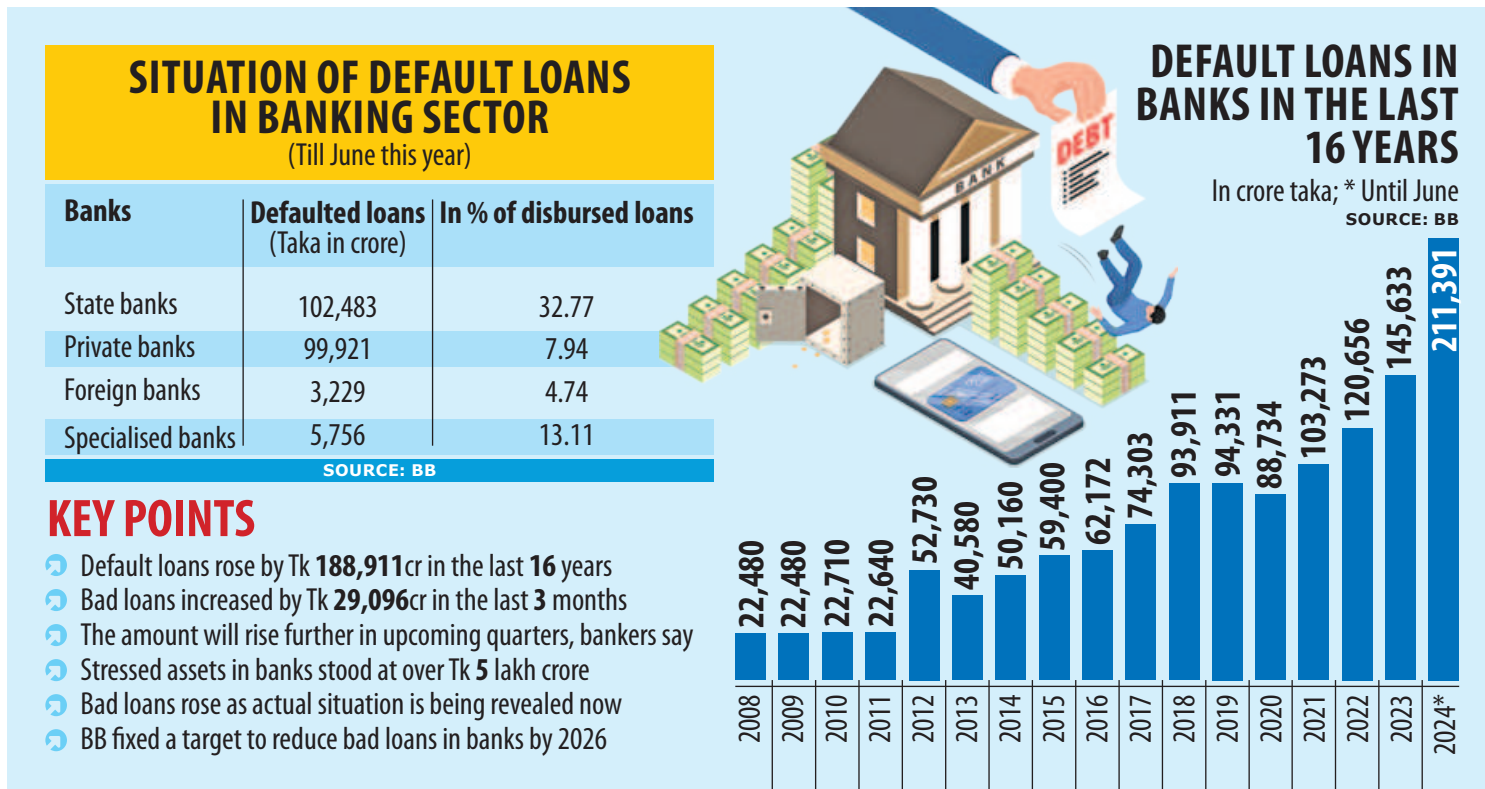
Moreover, Md Shahin Ul Islam, former executive director of Bangladesh Bank, Md Abdul Wadud, former deputy managing director of NRB Bank, M Abu Eusuf, professor of development studies at the University of Dhaka, and Mohammad Ashraful Hasan, a chartered accountant, have been appointed independent directors at the Shariah-based bank.

In Aviva Finance, the

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# Default loans surpass Tk 200,000cr for first time

Bad loans rose Tk 188,911cr in the past 16 years



MD MEHEDI HASAN

Default loans in the banking system surpassed Tk 200,000 crore for the first time, underlining the fragile condition of the sector that fell prey to rampant scams and irregularities under the tenure of the Awami League government over the past 16 years.

At the end of June this year, bad loans in the sector climbed to Tk 211,391 crore, which accounts for 12.56 percent of the total disbursed loans of Tk 1,683,396 crore, as per the latest Bangladesh Bank data. This is the highest ratio of non-performing loans to total disbursed loans in the past 16 years.

Till June last year, default loans stood at Tk 156,039 crore, BB data showed.

Soured loans increased by Tk 29,096 crore in the past three months from Tk 182,295 crore as of March 30.

Industry insiders said that the actual information regarding the

health of banks, which had been meticulously swept under the rug by vested quarters, began to trickle out due to pressure from the International Monetary Fund (IMF).

Their actual condition started to be fully uncovered after Sheikh Hasina, who led the Awami

League government during its 15-year tenure, was ousted on August 5 by a mass uprising.

Bad loans in the banking sector stood at Tk 22,480 crore when the Awami League won the first of four consecutive general elections in 2008. However, the

volume began to grow thereafter due to a growing trend of irregularities and scams.

Selim RF Hussain, chairman of the Association of Bankers, Bangladesh (ABB), told The Daily Star yesterday that they did not believe the figures provided by

He added that Bangladesh has not been following international standards in terms of the classification of loans or provisioning. "If we had followed international standards, the sector would not be bleeding."

He also alleged that former finance minister AHM Mustafa Kamal had changed the provisioning system, which was a significant setback for the banking sector.

There have been huge irregularities and scams over the past few years in the sector and the central bank has only motivated and encouraged them, he lamented.

Hussain suggested measures to urgently stem the bleeding in the banking sector before imposing rules and regulations properly.

"The government must promise to bring good governance to banks. Hopefully, the sector can be restored in four to five years."

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## Drug-makers seek govt help to normalise labour situation

STAR BUSINESS REPORT

After a series of abrupt labour agitations caused a rare stir in the country's comparatively steady pharmaceutical sector, drug manufacturers said they want the government to mediate the ongoing labour situation.

The labour agitation, which has been continuing for the past couple of weeks, has already shuttered production at 19 big pharmaceutical plants and shows no sign of easing anytime soon.

Terming the situation "very challenging", drug-makers at a press conference yesterday questioned abrupt worker demands such as job regularisation and salary hikes.

"We are helpless. Workers are placing demands one after another. We do not know how to deal with the situation," said Abdul Muktaadir, president of the Bangladesh Association of Pharmaceutical Industries (BAPI), at a press conference at the association office.

The association, which represents around 250 pharmaceutical companies, including exporting firms, said they want the government to mediate as the agitated workers are not listening to them.

According to Muktaadir, there has been no labour unrest or agitation in the pharmaceutical industry for the past 50 years.

"At this time, it is very important to stop the marches, siege programmes or destructive activities with all the demands and continue the production activities in the factories with full enthusiasm," he added.

I like to call upon all concerned to be patient and take steps considering the interests of the country, he said.

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STOCKS	
DSEX ▼	CASPI ▼
0.29%	0.55%
5,786.51	16,501.42

COMMODITIES	
Gold ▼	Oil ▼
\$2,504.33	\$73.61
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.00%	▼ 0.03%	▲ 0.48%	▼ 0.29%
82,559.16	38,686.31	3,479.64	2,802.98

# Extension of cross-border diesel pipeline comes to a halt

ASIFUR RAHMAN

India's plan to extend a cross-border diesel pipeline from Dinajpur's Parbatipur upazila to Natore will apparently see delayed implementation for the ongoing political crisis, according to the Bangladesh Petroleum Corporation (BPC) and an Indian media outlet.

Inaugurated in March last year by former prime minister Sheikh Hasina and her Indian counterpart Narendra Modi, the pipeline stretches from Siliguri in West Bengal to an oil depot in Parbatipur.

The "Indo-Bangla Friendship Pipeline" (IBFP) has a capacity to convey 1 million tonnes of high-speed diesel per annum. It currently supplies the product to seven districts in northern Bangladesh.

This is the first cross-border energy pipeline between India and Bangladesh, built at an estimated Rs 377 crore, of which the portion in Bangladesh cost Rs 285 crore, borne through an Indian grant.

The BPC and Indian media outlet said the Indian authorities expressed interest in July to extend the pipeline and increase the volume of fuel export, which got the nod from Bangladesh.

"We verbally agreed on a proposal to conduct feasibility studies to extend the pipeline up to Natore. But they are yet to start the studies," Amin Ul Ahsan, chairman of the BPC, told The Daily Star on Monday.

There is neither an issue to reject the project nor an issue to halt the existing operation, he said.

"We didn't take up the issue in any discussion yet," the chairman added.

According to the officials, Bangladesh imported around



The feasibility study for extending the Indo-Bangla Friendship Pipeline will take place only after stability returns to the country. The picture was taken from Parbatipur upazila of Dinajpur.

PHOTO: STAR/FILE

4,000 tonnes of diesel in August from Numaligarh Refinery Limited, located in Assam.

Four other import orders have been placed seeking around 7,000 tonnes in the upcoming days.

However, citing three people aware of the development, Indian news outlet Mint in a report claimed that the Bangladesh government has now "pressed the pause button" on a proposal to extend the 131 kilometre pipeline.

"Since the project has been operating well and has been largely successful, there was a consideration as to why not further extend it to cater to more places in the neighbouring country [Bangladesh]," it said.

"Now, after the political situation somewhat destabilised, India would like to wait for the situation to stabilise for any further

consideration and talks. No specific timeline can be given," said one of the cited trio.

Another person told the Mint that along with diesel, India was also considering a proposal to send high sulphur fuel oil (HSFO) and furnace oil to Bangladesh – which are largely used in the maritime industry and in heating homes, businesses and industrial units respectively.

Amin Ul Ahsan said Bangladesh failed to receive the fuel expected through the pipeline as all of the receiving tanks are yet to be brought under automation.

"We have some other issues, but we are continuing to import fuel through the pipeline as it costs less than importing from other countries. And we can save on internal transport costs as well," he added.

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