



# Current business challenges and way forward

The recent student-led mass uprising has created a momentous opportunity to build a new Bangladesh. To make the most of this, revitalising the country's business sector is crucial. With this goal in mind, The Daily Star hosted a roundtable discussion titled "Current Business Challenges and Way Forward" on September 9, 2024. Below is a summary of the key points from the discussion.

## MAHFUZ ANAM

Editor & Publisher, The Daily Star

I'm truly honoured that all of you, such esteemed captains of industry and finance, have taken the time to be here. What brings us together today are the challenges currently facing the entire economy and how we can move forward. We aim to make this meeting as forward-looking as possible. We are all aware of many of our problems, which we have published in our newspaper and will continue to do so. However, this is an opportunity to focus on the future.

## AHSANKHAN CHOWDHURY

Chairman & CEO, Pran RFL

I believe the most important thing is to ensure delivery. Despite all the negativity, if we don't remain positive, it will be difficult to function. There is substantial demand in Bangladesh, and as a growing country, the people are ready to contribute. If they can generate significant economic activity, they will be able to create even more demand in the future. In terms of exports, we need to focus on making Bangladesh more stable and consistent as quickly as possible to continue fulfilling our export demands. Additionally, it is essential to get all our ministries and secretariats working effectively. I feel that the critical importance of business, industry, job creation, and livelihood is being completely overlooked. If we can improve these areas, it will give the economy a much-needed boost.

Furthermore, considering agriculture's crucial role in the overall economy, we need to think deeply about maintaining the import of fertiliser and ensuring that farmers' needs are met. It's easy for anyone to boast about past achievements, but that does not help us move forward. Instead, we must focus on increasing agricultural production, which can help reduce food inflation. If we can consolidate our past learnings, agriculture will continue to thrive, as domestic demand is substantial and will only grow in the future.

## SYED NASIM MANZUR

Managing Director, Apex Footwear

I believe that what's most important right now is signalling where the economy is headed. For instance, we have already observed a drop in inflation; these signals need to be conveyed loudly and clearly to both the domestic and international communities because we need to recapture the narrative that Bangladesh is back in business.

Secondly, challenges on the export side include re-establishing

the reliability and consistency of Bangladesh, and we require a clear communication strategy for that. I recommend setting up a task force consisting of major exporters, the government, and some of our international partners, investors, and buyers to outline this communication strategy.

Another important recommendation is to ensure safety in the five major industrial zones: Chittagong, Ashulia, Narayanganj, Gazipur, Narsingdi, and the Cumilla belt, which are the heart of our industrial manufacturing. It is crucial to emphasise that factories are national assets, even if the owners are compromised. The government must respond urgently to the situation, and this message should be delivered clearly and strongly by the advisers.

## SELIM R. F. HUSSAIN

Managing Director & CEO, BRAC Bank

Our primary focus right now should be on digitalising the country. India has set an exemplary benchmark with initiatives like the Aadhaar card and India Stack, and we should learn from and replicate these models. Implementing such measures in Bangladesh would significantly reduce the cost of doing business, enhance ease, and channel money into the formal economy. Currently, approximately 15-16% of cash is outside the system, an unprecedented figure globally. By ensuring comprehensive digitalisation, we could eliminate leakage, unofficial black money, and funding in the informal sector, thereby boosting government revenue.

Additionally, wage earners' remittances, currently at \$20 billion, represent only 40% of the actual volume. We need to offer greater incentives to curb hundi transactions. Developing an ecosystem for exporting manpower and enhancing our remittance sector should be a major focus.

Finally, the banking sector, the heartbeat of our economy, is under significant stress. Revitalising it will require collaborative efforts between the banking sector and the government, particularly through legal frameworks. The central bank itself should be fully digitalised, with all communication and reporting conducted electronically.

## DR. AHSAN H. MANSUR

Governor, Bangladesh Bank

Bangladesh Bank (BB) does not interfere in any industry. These industries are national assets, crucial for employment, productivity, and production. It is up to relevant

ministries and agencies to protect these sectors. BB has not frozen any company accounts.

We are keeping an eye on agricultural inputs and the power sector, where significant arrears have built up. While we cannot resolve these issues overnight, we are gradually addressing them.

Since my appointment, we have ceased using our forex reserves; we have not sold any dollars since last month, and this policy remains in place. We will continue to facilitate transfers through the interbank forex market, particularly to state-owned banks, which hold the majority of unsettled LCs.

A positive development is the strong remittance flow, which we hope will continue as a trend rather than a temporary situation.

A decline in exports would impact Bangladesh Bank, the economy, and dollar cash flow. Our policy aims to provide a competitive and stable exchange rate, aligned with inflation

role of independent directors, who are supposed to protect depositors' interests, requires reform, as family members often hold these positions, compromising their objectivity.

Banks should operate independently, without relying on government bailouts—if they succeed, they succeed; if they fail, they fail. The fact that banks such as Padma Bank and Al Baraka Bank have received government bailouts underscores governance issues. Transparency and data accuracy are vital, especially since we are currently working with incorrect data, such as export figures.

Furthermore, contract enforcement must be reliable, as investors need assurance that contracts in Bangladesh are enforceable.

The Bangladesh Investment Development Authority (BIDA) is often led by senior or retired secretaries with limited business acumen; however, it should be managed by business experts.

time approvals are granted, market dynamics often shift, complicating execution.

## MASHRUR AREFIN

Managing Director & CEO, City Bank

Liquidity remains a significant issue, with money outside the banking system increasing from BDT 1.84 lakh crore in 2021 to BDT 2.90 lakh crore now, reflecting a loss of public trust in banks. This outflow needs to be reversed by incentivising people to deposit their money back into the system, which would help stabilise the economy. For instance, reintegrating BDT 1 lakh crore into banks could generate BDT 5.88 lakh crore in value through the money multiplier effect.

On a positive note, several banks, such as Islami Bank, have returned to positive cash flow by removing certain business influences and attracting new deposits. In the past month, many other reputable banks have also received significant new deposits, indicating a gradual restoration of trust in the banking sector. This will reduce our heavy reliance on central bank liquidity support. Confidence is expected to increase further once the central bank addresses issues such as recapitalising problem banks.

Regarding net foreign assets, the ADB and IMF have made significant promises. Once these funds arrive, money can be printed in accordance with global practices. However, the previous government failed to follow this approach, failing money without adequate net foreign asset backing.

## SOHAIL R K HUSSAIN

Managing Director, Bank Asia

We are all aware of the symptoms: NPLs, provision shortfalls, and capital shortfalls. To prevent these issues from recurring, we need to rethink our governance structure.

With bad loans potentially reaching around 12.5%, these figures reveal serious failures in checks and balances, including among auditors, rating agencies, the central bank, management, and internal controls. The solution lies in appointing an effective board of directors, as many problematic loans have stemmed from board and management decisions.

The banking system's challenges have damaged confidence both locally and internationally, affecting correspondent banks, foreign funds and FDI. We should learn from the policies that attract FDIs in countries like Vietnam.

A distressed asset management company is needed, and the central bank's autonomy in appointing key officials must be preserved.

## ALI REZA IFTEKHAR

Managing Director & CEO, Eastern Bank

I was involved in drafting the Banking Company Act, aimed at promoting good governance, but it was significantly altered in parliament, with little regard for the committee's input. I suggest the governor revisit the Act and reestablish the industry's good governance recommendations.

Another issue is the definition of a "group defaulter" in the recent circular on banking governance. If one out of 20 companies defaults, how should it be handled? This definition needs to be reconsidered.

Furthermore, the formation of boards and criteria for membership is crucial. Only qualified and experienced professionals should serve on boards, focusing on policy and guideline formulation rather than making credit decisions. The effectiveness of board members is vital for the stability of the banking sector.

## DR. AHSAN H. MANSUR

Given the current situation, instead of forming commissions, we will establish three action-oriented task forces. The first task force will focus on troubled banks, examining their asset quality and conducting independent audits. I also plan to hire international experts to perform forensic audit analyses of these banks. Discussions with the Asian Development Bank (ADB) are already underway, and they have committed to providing experts and financial assistance to support this initiative.

Another task force will focus on asset recovery, involving a multi- and inter-ministerial effort, including the attorney general. The third task force will be dedicated to strengthening central bank operations, reviewing banking laws, regulatory overreach issues, and central bank automation. We must ensure the central bank's independence and autonomy. We may also decide that the Financial Institutions Division is no longer necessary.

## YASIR AZMAN

CEO, Grammenphone

The youth of our country have immense potential, and we must empower them with affordable technology and advanced connectivity solutions.

The telecom industry needs to act and innovate locally to address Bangladesh's unique challenges and regain foreign investor confidence. However, the high corporate tax rate of around 40%—compared to 25% elsewhere in Asia—remains a pressing concern.

No reform will be sustainable unless governance is properly addressed. A corrupt government will inevitably undermine the banking system once again. Without significant reform in the political process, any other reforms we implement will lack durability.

Dr. Ahsan H. Mansur