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BUSINESS

# Safety fear jolts foreign investors' confidence

REFAYET ULLAH MIRDHA

A lack of safety in foreign manufacturing and industrial units in Bangladesh, stemming from the debilitating law and order situation and labour unrest, has become a cause of major concern for foreign investors, denting their confidence.

The low presence of industrial police in some areas is another reason for faltering investor sentiment. Numerous representatives of foreign companies say there is no functional authority which they can turn to for protection in some industrial zones.

Currently, many investors are negotiating with leaders of the Collective Bargaining Agents (CBAs) to resolve the crisis and resume operations, with labour demands mostly centring pay rises.

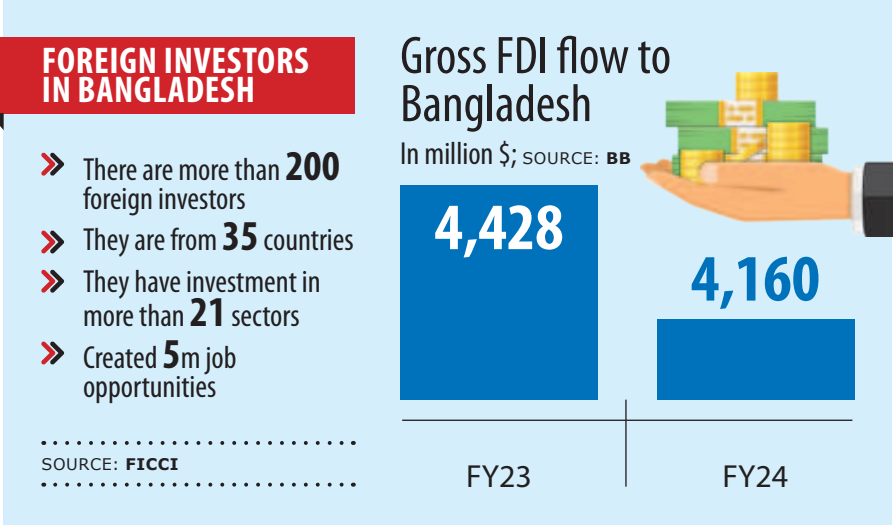
Investors also said it was unusual that workers had placed charters of demand abruptly in the middle of the year and against the backdrop of a regime change, suspecting that perhaps a section of outsiders is taking advantage of the policing vacuum.

There have not only been disruptions to production workers but, in some cases, also tried to vandalise manufacturing units. For instance, workers attacked a shoe factory operated by a foreign company in Tongi area this week.

Moreover, foreign investors fear that if labour unrest continues, it may spill over onto their units as well.

Arfanul Hoque, retail director of Bata Shoe Company (Bangladesh), said they negotiated with workers to bring the situation under control and also took help from police.

Production at their unit was affected but normalcy is now being gradually restored as the management has already met the workers' demand for a pay hike, Hoque said, adding that around 600 regular workers and 800 outsourced workers had placed their demands over the past week.



However, since their factory is located in a major industrial hub, industrial police were available to help, he added.

A representative of a major European garment retailer that sources apparel worth several billion US dollars each year said they had to change their plans due to the spate of labour unrest.

The company's shipments are getting delayed, which is very unusual, and that is expected to hit its sales in the upcoming Christmas season, he said.

The crisis is also affecting payment gateway companies, with the business of such companies operating in Bangladesh falling by 40 percent in July and 35 percent in August, said Syed Mohammad Kamal, country manager at MasterCard Bangladesh.

Lack of safety and security is a big barrier towards running industrial units for both local and multinational companies.

"Ultimately, foreign direct investment will be affected if the proper steps are not taken immediately to restore normalcy in industrial zones," he added.

Rupali Chowdhury, managing director of Berger Paints Bangladesh, echoed the same.

"Lawlessness is not good for even a day. We do not know who is behind this situation. We also don't know who we can turn to for protection as the industrial police are not fully functional," said Chowdhury, also a former president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

"The situation needs to be improved urgently. We have zero time."

She said their workers also demonstrated like many others, but the management sat with the CBA leaders and resolved the issues through mutual understanding.

Mohsin Ahmed, chief executive officer of New Zealand

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# Three banks seek BB guarantee for Tk 6,800cr liquidity support

MD MEHEDI HASAN

National Bank, Islami Bank Bangladesh and Social Islami Bank have applied to the Bangladesh Bank (BB) for its guarantee to avail a total of Tk 6,800 crore in liquidity support through the inter-bank money market for a period of three months.

The restructured National Bank seeks a central bank guarantee for the highest Tk 5,000 crore in liquidity support while Islami Bank Bangladesh requests Tk 1,100 crore and Social Islami Bank wants Tk 700 crore.

A senior official of the central bank told The Daily Star that these three banks have formally applied for a central bank guarantee, but their applications are yet to be approved.

"We will meet with these banks because the application form for the guarantee will be changed after a policy circular in this regard," the official said, requesting anonymity.

These restructured banks applied for the BB guarantee as new central bank Governor Ahsan H Mansur hinted that the banking regulator would manage liquidity for the ailing banks through the inter-bank money market, with the BB acting as their guarantor.

At a recent press conference, the BB governor said the central bank would not provide liquidity support by printing money as before, but lenders could avail such support through inter-bank money supply.

Not only these three lenders, but several other restructured banks, including Union Bank, Global Islami Bank and First Security Islami Bank, are also planning to avail BB guarantees for liquidity support, according to insiders.

After taking charge as the governor of the central bank, economist Mansur dissolved the board and restructured a new one for the troubled National Bank on August 20.

Subsequently, the bank elected Abdul Awal Mintoo, a businessman and vice-chairman of the Bangladesh Nationalist Party (BNP), as chairman of its board of directors.

National Bank has been facing a liquidity crisis for more than a year and applied to the central bank on Tuesday for a BB guarantee.

Touhidul Alam Khan, managing director and CEO

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## KEY POINTS

National Bank seeks guarantee for Tk 5,000cr liquidity

Islami Bank wants Tk 1,100cr liquidity

Social Islami Bank seeks Tk 700cr liquidity

Few more banks whose boards were restructured may also want BB guarantee

BB will make a policy for providing such guarantees

Economic activities picked up in August compared to the month prior but could not recover from the trend of contraction

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# Now FBCCI gets an administrator

STAR BUSINESS REPORT

The interim government yesterday appointed an administrator to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) as its president had resigned amid a section of businesspeople demanding its board's dissolution in the wake of last month's political changeover.

Mahbubul Alam, who became the president of the country's apex trade body in August last year, stepped down on September 9 as pressure was mounting following a mass uprising that ousted the Awami League government on August 5.

Alam cited illness in his resignation, according to a commerce ministry notification.

He did not respond to phone calls from

The Daily Star for comment.

However, a close associate of Alam said the businessperson from Chattogram resigned due to pressure from various quarters, including businesspeople.

The commerce ministry appointed Md Hafizur Rahman, a member of the Bangladesh Competition Commission, as the administrator to hold a fair and neutral election within 120 days and hand over the responsibilities to the elected committee.

The interim government also appointed an administrator at the e-Commerce Association of Bangladesh (e-CAB) yesterday, nearly a month after its former president Shomi Kaiser resigned.

Subsequently, the entire e-CAB executive board stepped down, leaving the organisation without a governing body

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# Past govt fuelled inflation by printing Tk 60,000cr: Yunus

STAR BUSINESS REPORT

People are grappling with high inflation because of the fresh injection of Tk 60,000 crore into the market by Sheikh Hasina's government, Prof Muhammad Yunus, chief adviser to the interim government, said yesterday.

"One of the main goals of the interim government is to contain the unprecedented inflation," he said in a televised speech to the nation.

The chief adviser's comments came after inflation eased in August but remained at over 10 percent, reflecting that higher prices of goods and services are continuing to eat

away at the purchasing power of consumers.

The inflation rate in Bangladesh has hovered above 9 percent since March 2023.

Last month, the Consumer Price Index (CPI), which measures changes in the prices paid by consumers over time, stood at 10.49 percent, according to data released by the Bangladesh Bureau of Statistics (BBS).

Yunus, who was sworn in after the Awami League government was toppled by a mass uprising on August 5, said the past 'fascist' government printed additional currency and released it into the market with the intention of 'looting'.



# BSEC to go tougher on delinquent brokers

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) will go tougher on brokerage houses that have a deficit in their consolidated customers account (CCA) in an effort to bring more discipline to the country's stock market.

The BSEC yesterday informed that the CCA of several brokerage houses are in a deficit, which goes against investors' interest as well as market regulations.

As such, it has already taken action against two brokers – Dhanmondi Securities and PFI Securities – for failing to comply with the related rules.

A CCA is an account held by a broker at any scheduled bank used for receiving investors' deposits for buying stocks and paying their earnings.

In its order, the BSEC said any brokerage with a deficit in its CCA will not be allowed to provide margin loans and will not be entitled to dividends from stock exchanges.

Additionally, the brokerage houses will not enjoy the quota for initial public offerings, repeat public offerings or qualified initial offerings.

Furthermore, the brokerage houses will not be allowed to renew their licenses or open any new branch, including digital booths.

The stock market regulator also informed that the stock exchanges will continue monitoring the brokers for at least two years, even after they adjust their CCA deficit to ensure compliance.

The country's bourses will check the CCAs at least twice a month, the BSEC said.

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# Textile millers want immediate improvement in gas supply

STAR BUSINESS REPORT

Textile millers yesterday urged the interim government to take immediate steps to improve gas and power supply to production units, as most are now running at only 30 percent capacity.

They also urged the authorities to restore law and order urgently as garment factories are facing challenges in running operations.

They demanded that yarn imports from India be stopped through all land ports as large quantities are entering without proper documentation and quality testing, deteriorating sales of the domestic primary textile sector, where \$22 billion has been invested.

The millers said yarn imports can be allowed through the Chattogram port as it contains facilities for quality testing.

They also urged to stipulate that any yarn which is sought to be imported from India needs to undergo quality tests at the Bangladesh University of Engineering and Technology.

In most cases, double the quantity



mentioned in letters of credit is being imported through misdeclarations, said leaders of the Bangladesh Textile Mills Association (BTMA) at a press conference at its office in Dhaka.

Over the last eight months, textile millers at Bhulta, Gausia, Rupganj and

Narayanganj areas have been suffering a lot because of low gas pressure in the supply lines, said BTMA Vice-President Md Saleudh Zaman Khan.

The textile mills are being run with alternative fuels such as diesel,

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# Taskforce formed for banking reforms

STAR BUSINESS REPORT

The Bangladesh Bank yesterday formed a six-member taskforce to carry out reform initiatives in the country's banking sector.

The taskforce will mainly assess the current financial condition of the banking sector and estimate the amount of distressed assets.

It will also identify major risks and review financial indicators of weak banks, according to a press release of the central bank.

Besides, it has also been tasked with assessment of the actual condition of loans, provision deficit, net capital, actual value of assets and review of liquidity situation.

The taskforce members are Lutley Siddiqi, special envoy on international affairs to the chief adviser, Muhammad A (Rumee) Ali, former deputy governor of the Bangladesh Bank, Meheriar M Hasan, chairman of BRAC Bank, Zahid Hussain, former lead economist of World Bank Group, Dhaka office, Prof M Zubaidur Rahman, vice-chancellor of the ZNRF University of Management Sciences, and Sabbir Ahmed, partner of Hoda Vasi Chowdhury & Co.