DHAKA SUNDAY SEPTEMBER 29, 2024, ASHWIN 14, 1431 BS ● starbusiness@thedailystar.net

Star BUSINESS

First Security Islami Bank's Chairman Abdul Mannan said a legal provision on shareholding in banks is driving away seasoned banking leadership from boardrooms

Interview on B4

Tk 75cr loss looms over UCB as stock investment raises questions

AHSAN HABIB

United Commercial Bank (UCB) PLC is on the verge of incurring losses of around Tk 75 crore as one-third of its total share market investment has been on a lone stock that has undergone price manipulation.

In 2021, the bank spent Tk 105 crore to buy shares of Genex Infosys while its total share market investment was Tk 472 crore. The value of the investment has now dropped to Tk 27 crore.

This means the bank is counting Tk 78 crore in unrealised losses for the investment.

IT company Genex Infosys provided 11 percent cash and 2 percent stock dividend in fiscal year 2021-22 and the dividend dropped to 6 percent cash and 4 percent stock in the fiscal year 2022-23.

Considering the cash dividends the bank gained from the company in previous years based on the ownership of the stock, the loss may drop to Tk 75 crore.

The board of directors of the bank had taken the decision to invest in Genex Infosys while its management was silent

Interestingly, the board of directors of the bank had taken the decision to invest in Genex Infosys while its management was silent.

Analysts raised questions about the investment as the performance of the stock was never that significant and they think it could have benefitted manipulators in selling off their shares at the cost of the bank depositors' funds.

The Bangladesh Securities and Exchange Commission has earlier found that one Abul Khayer Hiru and his associates manipulated the price of the stock through serial trading around the middle of 2021.

This had led to the price going up by 69 percent within 15 days. Serial trading is the buying and selling of shares between the same beneficiary accounts in order to impact the share price.

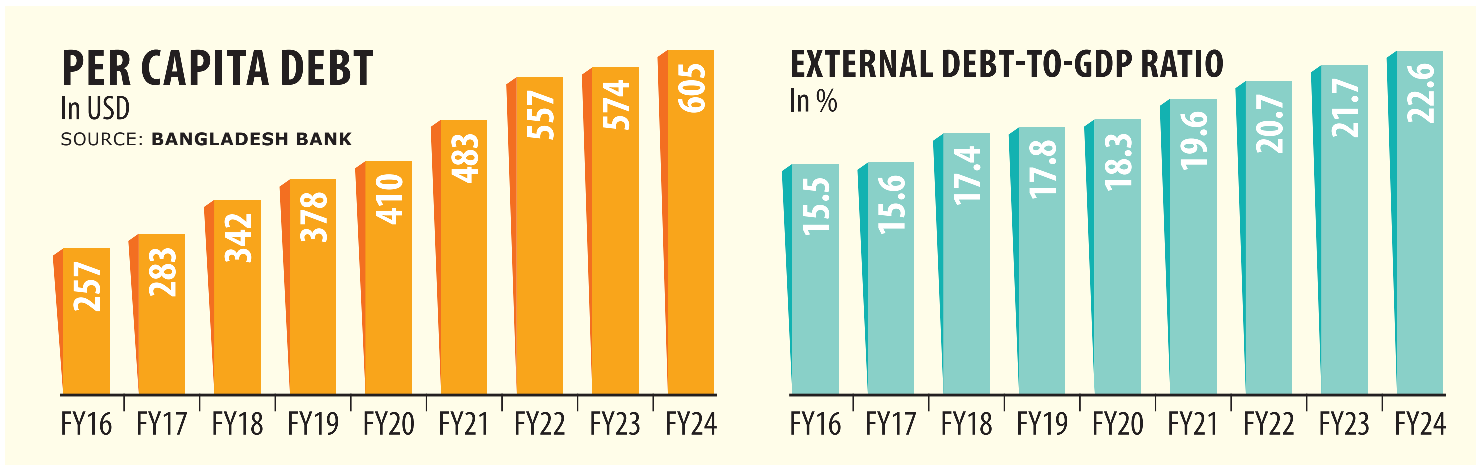
Hiru and his two other associates traded the stock through UCB Stock Brokerage Ltd, the BSEC said in its investigation report.

After getting listed in 2019, Genex Infosys's share price ranged between Tk 50 to Tk 60 and it rose up to Tk 175 in 2021 when it underwent the manipulation.

UCB bought the shares when the price of each was more than Tk 170. Its price again fell to the previous Tk 50 to Tk 60 range within one year.

READ MORE ON B3

Per capita foreign debt more than doubles in eight years



REJAUL KARIM BYRON *and* AHSAN HABIB

Per capita foreign debt of Bangladesh more than doubled in the last eight years, according to official data, as economists attribute the hike to unplanned foreign-funded projects and corruption, ultimately ballooning the liability on low-income people, including the extremely poor.

According to the Bangladesh Bank data, per capita external debt of the country surged 135 percent to $605 in fiscal year 2023-24 compared to fiscal year 2015-16.

The total stock of the external debt stands at $103.79 billion. Of the amount, the public sector holds $83 billion.

The country's external public debt servicing, which is already on an upward trend, will increase in the coming years, according to a statement by the Finance Division.

Total foreign debt servicing by the government, including repayment of the principal amount and interest, rose around 26 percent to $3.35 billion in fiscal year 2023-24 from $2.67 billion in 2022-23, central bank data shows.

Regarding the reasons for the higher per capita debt, Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said, "It rose as the loans were not utilised appropriately, and in fact, a portion of the funds may have been returned abroad through capital flight."

"Expensive contracts were signed for implementing projects financed by foreign loans, and looters sent their funds abroad," he said. "Corrupt practices in project management and poorly chosen projects also fueled the problem."

For instance, Hussain said a couple of power plants were built in Khulna's Rupsha area with foreign financing, but there is no source of primary input gas beside the projects. So, the projects are now sitting idle, yet the debt was incurred.

The economist said if the generated power went to factories, it would help production and exports, bringing in foreign currency.

When asked whether the country's per capita debt data is alarming, Hussain said that while the per capita debt is rising, the country's per capita income is also rising. So, the major concern lies in the debt-to-GDP ratio, which is increasing.

The external debt-to-GDP ratio rose to 22.6 percent in fiscal year 2023-24 from 15.5 percent in fiscal year 2015-16, data showed.

"If we compare the debt considering the economy's size with other countries, this is not too high. I would say this is moderate considering our GDP size," he commented.

"But, we have to see whether we are facing any difficulties in repaying the loans. The country's foreign exchange reserves have been impacted in the last two years to continue debt servicing."

The former World Bank lead economist said debt repayment is creating stress considering the dollar liquidity, though it is not too high given the high GDP.

An important factor, according to Hussain, is the outstanding (arrear) of state-run enterprises which accrued when the country bought electricity, fertilisers, etc., and these are not included in the foreign debt accounting.

The arrear of the state-owned enterprises (SOEs) may be around $5 billion, he said, referring to media news.

READ MORE ON B3

High policy rates may hamper investment

DCCI says

STAR BUSINESS REPORT

The Dhaka Chamber of Commerce and Industry (DCCI) yesterday expressed concern over the continuous increase of policy rates and law and order in the country, including that centring labour unrest.

If the situation continues for long, private investment and job creation in Bangladesh alongside exports will be significantly hampered, said the trade body.

"The government is gradually raising interest rates to curb inflation. This strategy may succeed in the short term, but it should not be sustained over the long term," said Ashraf Ahmed, president of the DCCI.

The private sector will benefit if the interest rate is reduced after December, he added.

Ahmed made these remarks while delivering a keynote speech at a seminar on the economic challenges and the role that the private sector should play at the DCCI office in Dhaka's Motijheel.

Ahmed explained that high interest rates slow private sector growth, investment and employment generation.

READ MORE ON B3

Progress slow in signing preferential trade deals with trading partners

REFAYET ULLAH MIRDHA

There has been little progress regarding the signing of preferential trade deals by Bangladesh with major trading partners amidst the change in government following the anti-discrimination movement in July.

Bangladesh wants to sign the free trade agreements (FTAs), comprehensive economic partnership agreements (CEPAs) and economic partnership agreements (EPAs) to continue enjoying zero-duty benefits once it graduates from the least developed country (LDC) status to that of a developing nation in 2026.

Initiatives had been taken for signing FTAs with China, Indonesia and members of the Association of Southeast Asian Nations (Asean), a CEPA with India and an EPA with Japan.

In this regard, Bangladesh has already conducted joint studies individually with India, China and Japan.

Formal negotiations were supposed to be launched soon but the fall of the Sheikh Hasina-led government on August 5 has led to the suspension of schedules.

"A meeting with Japan was supposed to be held in August in Dhaka...but this meeting is rescheduled for November and the date is yet to be confirmed," said a senior commerce ministry official asking not to be named.

Similarly, dates for formal talks with India and China could not be confirmed yet, the official also said.

There has been a slowdown in progress for the change in government, he added.

However, the official is hopeful that the interim government would start the negotiations soon.

Till date, Bangladesh has been able to sign only a preferential trade agreement (PTA) with Bhutan in December 2020 involving 100 goods of Bangladesh and 34 items of Bhutan.

The trade deals are necessary as higher duties will be imposed on Bangladesh after the LDC graduation.

Currently, Bangladesh as an LDC has been enjoying zero-duty benefits to 38 countries, including the 27 European Union (EU) nations.

However, after the LDC graduation, the local exporters will have to face duties on the shipment of goods and their competitiveness in global trade may wane.

However, the EU has announced plans to extend the trade facilities to the graduating LDCs for three more years to prepare for the status transition.

That means, Bangladesh will continue to enjoy the LDC trade benefits of the EU till 2029.

Moreover, Bangladesh and other LDCs have been negotiating under the World Trade Organization (WTO) for the extension of the trade benefits.

This prompted global leaders at the 13th WTO ministerial conference in Abu Dhabi to agree to extending the LDC trade benefits for three more years.

However, the countries need to undertake bilateral negotiations to enjoy the benefits.

The progress in negotiations has slowed and these should be reviewed, said Mohammad Abdur Razzaque, chairman

READ MORE ON B3

KEY POINTS

- Progress in FTA signing has been slow
- Several joint studies on FTAs have been conducted
- Formal negotiation on FTAs is being delayed
- Economic partnership agreement with Japan was targeted to be signed by Dec 2025
- Bangladesh so far signed a preferential trade agreement with Bhutan

LDC BENEFITS

- Bangladesh to graduate from LDC status in 2026
- As an LDC, Bangladesh enjoys duty benefit to 38 countries now
- More than 73% exported goods enjoy LDC-related duty benefits
- Bangladesh is the largest user of LDC facilities meant for all 48 LDCs

India draws roadmap for textile revamp

PALLAB BHATTACHARYA, *New Delhi*

India has drawn up a roadmap for generating 4.5-6 crore jobs in the textile sector by 2030 to make its market size grow to $350 billion from around $165 billion at present, India's Textiles Minister Giriraj Singh said.

Addressing a press conference in New Delhi on Friday on the 100-day programme of the Ministry of Textiles, Singh said: "The 100-day roadmap we have prepared includes (attracting) investment for the creation of 4.5 crore to 6 crore jobs by 2030."

He said the seven integrated mega textile parks approved earlier will have investments to the tune of Rs 70,000 crore when fully functional, thereby creating 21 lakh jobs.

Setting a target of producing 50,000 tonnes in the long run, the minister said cultivation of silk is linked to huge employment generation as around one crore people are connected with the sector.

Singh also said Vietnam and Bangladesh never posed a challenge for India's textile exports.

India aims to generate 4.5-6 crore jobs in the textile sector by 2030 to make its market size grow to $350 billion

"An unnecessary fear psychosis is being created about the developments in Bangladesh posing a challenge to India's textile industry."

Singh said there is huge potential for technical textile in India as it is used in all sectors and set an export target of $10 billion by 2030.

He said one crore artisans are connected with the handloom and handicraft sector and the textile ministry is undertaking various initiatives to give a boost to this sector.

As part of the government's plan for the textiles sector, the textiles ministry has taken several initiatives during the first 100 days of this government, covering all segments of textile sector -- infrastructure, technical textiles, research and development, startups, empowering artisans/weavers, and strengthening natural fibre sectors like silk and jute.

On September 20 this year, Indian Prime Minister Narendra Modi laid the foundation stone of a 1,000-acre integrated textile and apparel park at Amravati, Maharashtra with the objective of making India a global hub for textile manufacturing and exports.

The park will help create world-class industrial infrastructure that would attract large-scale investment, including foreign direct investment, and encourage innovation and job creation within the sector, Singh said.

National Housing Finance declares 10% cash dividend

PHOTO: NATIONAL HOUSING FINANCE

Mahbubur Rahman, chairman of National Housing Finance PLC, presides over the non-bank financial institution's 25th annual general meeting (AGM), which was held virtually recently. The meeting announced a 10 percent cash dividend for 2023.

STAR BUSINESS DESK

National Housing Finance PLC recently announced a 10 percent cash dividend for the year that ended on December 31, 2023.

The announcement came at the non-bank financial institution's 25th annual general meeting (AGM), which was held virtually, according to a press release.

Mahbubur Rahman, chairman of the non-bank financial institution (NBFI), presided over the meeting.

National Housing Finance PLC is one of the largest financial institutions in the country deals mainly with home loans.

The total shareholders' equity of the company is Tk 221.4 crore as of December 31, 2023.

The net profit after tax of the company is Tk 12.06 crore, whereas earnings per share is Tk 1.03 and net asset value per share is Tk 18.93.

Mohammad Shamsul Islam, managing director of the NBFI, and Md Sarwar Kamal, company secretary, along with directors, promoters, chairman of the audit committee and a large number of shareholders also joined the AGM.

France's debt weighs heavier

AFP, *Paris*

France's vast public debt pile grew in the second quarter, official figures showed Friday, as Prime Minister Michel Barnier's shaky minority government girds itself for a gruelling budget debate.

New borrowings of 68.9 billion euros ($77 billion) between April and June increased the country's debt pile to almost 3.23 trillion euros, or 112 percent of annual output, data from statistics agency INSEE showed.

The figures underline the scale of the challenge for Barnier, the former European Union commissioner and Brexit negotiator heading a centrist and conservative coalition heavily outnumbered in the National Assembly lower house.

With the chamber roughly divided in three since July's parliamentary election, the NFP left alliance and far-right National Rally (RN) could oust the new government at any time if they joined forces in a confidence vote.

There is scepticism among financial players of Paris' ability to get its debt and annual deficit under control.

Ratings agency S&P downgraded France's creditworthiness earlier this year.

And just this week the yield on France's debt -- the return investors can expect for holding 10-year government bonds -- outstripped the measure for Spain for the first time since 2006, pointing to falling confidence among investors.

China opens probe into Canada's EV restrictions

ANN/CHINA DAILY

China has launched an anti-discrimination investigation into Canada's recent trade restrictive measures targeting imports of Chinese-made electric vehicles and steel and aluminum products, the Ministry of Commerce said on Thursday.

He Yongqian, spokeswoman for the ministry, said at a news conference that preliminary information and evidence gathered by the ministry indicate that Canada's planned imposition of additional tariffs and other restrictive measures on Chinese imports are discriminatory trade practices under Chinese law.

The anti-discrimination probe, which started on Thursday, will continue for three months and, if deemed necessary under special circumstances, its duration will be further extended, the ministry said in an online statement.

In late August, Canada announced a 100 percent surtax on the import of EVs manufactured in China, which will take effect on Oct 1. It also announced a 25 percent surtax on imported Chinese steel and aluminum products, which will take effect on Oct 15.

While Canada's tariff plan follows those of the United States and the European Union, Brussels has recently agreed to push forward negotiations with Beijing on a price undertaking — an alternative to imposing hefty duties — and reach a solution acceptable to both sides through dialogue and consultation.

Analysts said that even though Canada's actions are blatantly discriminatory and protectionist, countermeasures taken by China are being carried out within the boundaries of compliance and legality under the framework of the World Trade Organization.

This is the first such probe initiated by China, and also the first of its kind in the world, said Tu Xinquan, dean of the China Institute for WTO Studies at the University of International Business and Economics in Beijing.

"Canada has blindly followed the US and the EU, without conducting its own investigation or research. It has been extremely subjective, malicious and reckless in announcing these restrictions," he said. The WTO's core principles can be summarized as nondiscrimination, fair trade and transparency — all of which Canada's actions have flagrantly violated, Tu said.

UCB, BAF Shaheen College Ctg sign deal over tuition fee collection

Md Sekander-E-Azam, head of transaction banking at United Commercial Bank, and Group Captain Saleh Ahmed Khan, principal of BAF Shaheen College, pose for photographs after signing an agreement at the BAF Base Zahurul Haque in Patenga, Chattogram recently. PHOTO: UNITED COMMERCIAL BANK

STAR BUSINESS DESK

United Commercial Bank (UCB) recently signed an agreement with BAF Shaheen College Chattogram to enhance the tuition fee payment process.

Md Sekander-E-Azam, head of transaction banking at the bank, and Group Captain Saleh Ahmed Khan, principal of BAF Shaheen College, penned the deal at BAF Base Zahurul Haque in Patenga, Chattogram, said a press release.

The new agreement allows for the implementation of a specially designed online payment platform, along with a dedicated collection booth, Upay, and various alternative delivery channels for fee collection.

BAF Shaheen College, managed by the Bangladesh Air Force (BAF), is recognised for its commitment to quality education.

The agreement marks a significant collaboration between the bank and one of the region's most esteemed educational institutions.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (SEP 28, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 64-Tk 80	0	9.09 ↑
Coarse rice (kg)	Tk 50-Tk 55	-1.87 ↓	7.14 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-2.30 ↓
Lentil (kg)	Tk 105-Tk 110	0	0
Soybean (litre)	Tk 151-Tk 155	3.03 ↑	-2.86 ↓
Potato (kg)	Tk 50-Tk 55	-6.25 ↓	20.69 ↑
Onion (kg)	Tk 105-Tk 115	-4.35 ↓	33.33 ↑
Egg (4 pcs)	Tk 53-Tk 55	4.85 ↑	10.20 ↑

SOURCE: TCB

Midland Bank gets nod to sell insurance products

STAR BUSINESS DESK

Midland Bank PLC recently got the Bangladesh Bank's approval to sell different types of insurance products to its customers under a bancassurance business agreement.

Mohammad Shahriar Siddiqui, director of the Banking Regulation and Policy Department (BRPD) of the central bank, handed over the approval letter to Md Rashed Akter, head of retail distribution and chief bancassurance officer of Midland Bank, at the former's headquarters in Motijheel, Dhaka, said a press release.

The bank now hopes to cater to its customers' insurance needs through bancassurance once it receives a bancassurance licence from the Insurance Development Regulatory Authority.

Bancassurance is a partnership between a bank and an insurance company that allows the lender to sell products of the insurer through its distribution channels.

Among others, Shamima Sharmin, additional director of the Bangladesh Bank, Ashraful Alam, joint director of the BRPD, and Syed Saquibuzzaman, manager of Islamic banking window of Midland Bank, were also present.

Md Rashed Akter, head of retail distribution and chief bancassurance officer of Midland Bank, poses for photographs while receiving a letter from Mohammad Shahriar Siddiqui, director of the Banking Regulation and Policy Department (BRPD) of the Bangladesh Bank, at the BB headquarters in the capital's Motijheel recently. PHOTO: MIDLAND BANK

PHOTO: COMMUNITY BANK BANGLADESH

Md Mainul Islam, inspector general of Bangladesh Police and chairman of Community Bank Bangladesh, presides over the 57th board meeting of the bank at the Police Headquarters in the capital's Gulistan recently.

Community Bank holds 57th board meeting

STAR BUSINESS DESK

Community Bank Bangladesh PLC recently organised its 57th board meeting at the Police Headquarters in the Gulistan area of Dhaka.

Md Mainul Islam, inspector general (IG) of Bangladesh Police and chairman of Community Bank Bangladesh, presided over the meeting, according to a press release.

During the meeting, important decisions were taken on the investment proposals and different agenda on policy matters of the bank.

Abu Hasan Muhammad Tarique and Md Tawfique Mahbub Chowdhury, additional IGs of Bangladesh Police, Shoeb Reaz Alam, Md Aminul Islam and Quazi Zia Uddin, deputy IGs, and Muntashirul Islam and Sufian Ahmed, additional deputy IGs, attended the meeting.

Among others, Masud Khan, independent director of the bank, Masihul Huq Chowdhury, managing director, and Saiful Alam, company secretary, were also present.

Cuts, cash, credit

FROM PAGE B4

Other steps

Other steps are also being considered.

Beijing's all-powerful Politburo met on Thursday, admitting the economy was facing new "problems" but pledging to "further improve the focus and effectiveness of policy measures".

"The new supports signal growing unease about the health of China's economy," Harry Murphy Cruise, an economist at Moody's Analytics, said.

"That officials brought forward economic discussions to this week's Politburo meeting -- rather than sticking to the December schedule -- highlights the urgency of the problem," he said.

Gold pushed to new records

FROM PAGE B4

India's resurgence in demand has revived excitement for the metal, after the market for gold jewellery had previously cooled as buyers were put off by high prices.

Purchases of jewellery, which represent three-quarters of the Indian gold market, fell 17 percent in the second quarter of 2024 compared to that of the previous year.

To stimulate demand, India's government cut the customs levy for gold. Gold imports into India more than tripled in August from the previous month, doubling from a year earlier to $10.1 billion, according to calculations by the World Gold Council (WGC).

The reduction "boosted demand for gold in India as expected, as it makes the metal cheaper for buyers there", Frank Watson, market analyst at Kinesis Money told AFP.

The boost took full effect at the start of September as India's festival season began, which includes the Hindu festival of Diwali -- synonymous with purchases of gold bars, necklaces, rings and bracelets.

"After recent import duty cuts, retailers are restocking ahead of the festive and wedding season," noted analysts at ANZ bank.

22 factories

FROM PAGE B4

He also alleged that local crooks are assaulting the workers on behalf of the owners since Thursday last week.

Md Sarwar Alam, superintendent of Ashulia Industrial Police-1, told The Daily Star that most of the factories in the industrial area were operating normally and peacefully on Saturday morning.

Some 22 factories closed their doors on Saturday morning while some shut down after lunch hours.

"The situation is normal now. The roads are clear and the workers have gone to their homes," he added.

Renata's profit rises 55% to Tk 362cr

FROM PAGE B4

including the US and Australia," Renata said.

Meanwhile, the government has re-established the procurement of birth control pills, which was previously deprioritised due to the Covid-19 public vaccination programme.

The company said procurement of a new product for the treatment of tuberculosis has boosted its overall year-on-year contract manufacturing revenue growth to 110 percent.

Its financial risk mitigation initiatives have reduced net finance costs by 13 percent.

"In the pharma segment, we achieved the highest growth among the top five pharmaceutical companies in Bangladesh, recording a 12 percent growth compared to the industry's growth of 7 percent," said Renata.

In the animal health segment, Renata claimed that it continued to be the market leader with a growth of 9 percent while the market growth was 6 percent.

Farmhands pluck hog plums from trees, using sticks to rip them off the tree and onto baskets so as to avoid damaging the fruit. Working while daylight permits, they can earn around Tk 700 a day, even though their safety is compromised each time they make the climb without any harness. The photo was taken at Kapurkathi village in Jhalakathi district recently.

PHOTO: TITU DAS

434 units on BSCIC estates are either sick or closed

SUKANTA HALDER

A total of 434 industrial units under the Bangladesh Small and Cottage Industries Corporation (BSCIC) are either suffering over financial issues or have already closed down due to various reasons.

As such, some of these units are not operating at full capacity while others are not generating employment, according to a BSCIC official seeking anonymity.

These units have been rendered sick or closed due to various issues, such as their entrepreneurs facing financial difficulties and subsequently being unable to make loan repayments or meet operational costs.

Also, many are tied up in litigation, including family disputes over inheritance, the official said.

Still, no effective measures have been taken to restart these units. So, the industries ministry must take strict action to resolve this issue, he added.

A report by the BSCIC in July showed that the Jamdani Industrial Estate and Research Centre has the highest number of idle plots with 54 while the Tongi Industrial Estate follows close behind with 28.

Other estates with sick or closed plots include Faujdarhat (17), Rajbari (17), Kalurghat Extension (15), Chauddagram (14), Rajshahi (14), Jamalpur (13) and Kishoreganj (13), as outlined in the BSCIC report.

Entrepreneurs can lease plots from the BSCIC for 99 years.

Established in 1960, the BSCIC is a key government organisation that is responsible for promoting an entrepreneurial society in Bangladesh.

Its mission includes boosting industrialisation and supporting the growth of small and medium enterprises in the country by developing dedicated industrial plots equipped with the required utility services and infrastructure.

Chayan Biswas, assistant general manager of the BSCIC district office in Rajbari, noted that 17 industrial units in their estate have been sick or remained closed for the past five to 10 years.

These include textile and garment factories, Unani medicine production units, and spice and pulse mills.

"An allotment of seven plots was recently cancelled due to prolonged closures and unpaid arrears of the units," he said.

Three of the associated entrepreneurs defaulted on loan repayments after incurring losses and have been unable to restart their businesses.

Biswas added that the cancelled plots will now be reallocated.

Belal Hossain, estate officer of the BSCIC industrial estate in Fouzdarhat of Chattogram, said the sick and closed units in their estate primarily include food, garment accessories, and dyeing units.

"Since Covid-19, several units have become sick or shut down and their owners are struggling to recover, with loan defaults and ownership complications to blame in some cases," he added.

Hossain also mentioned that these issues were raised in the last land allocation committee meeting and a decision may be reached in the next meeting.

GM Robbani Talukdar, deputy general manager of the industrial estate and coordination section at the BSCIC, said several steps were taken to reduce the number of sick and closed industrial units.

As a result, about 100 plots inside the BSCIC estates are being reallocated every year.

"But some old problems remain and that is why some plots become sick or get abandoned every year," he said.

"We also take the initiative to facilitate the transfer of plot ownership if someone wants to do so," he added.

Besides, the policy regarding plot allotment and management in the BSCIC estates and parks has been amended in order to solve the problem of sick and closed industrial plots, Talukdar said.

According to the BSCIC report, entrepreneurs facing financial crises and struggling to reopen their sick or closed units could be provided with loans from the BSCIC or recommended for bank loans.

The BSCIC data shows that there are 12,311 industrial plots under its purview, of which 11,227 have been allocated. The number of industrial units operating in these allocated plots is 6,132.

Sri Lanka holds rates steady, sees rosy inflation, growth outlook

REUTERS, *Colombo*

Sri Lanka's central bank kept interest rates unchanged on Friday in line with expectations, citing domestic and global uncertainties, but said inflation was likely to remain low and the economy was doing much better than initially expected.

The Central Bank of Sri Lanka (CBSL) kept the Standing Deposit Facility Rate at 8.25 percent and the Standing Lending Facility Rate at 9.25 percent. The decision comes in the wake of the election of a new president to steer the island out of its worst financial crisis in decades.

"We now see strong evidence that the economy will be growing well over 3 percent but it is too early for us to project a specific number," Governor P. Nandalal Weerasinghe said, adding that CBSL will not announce any revision to its 3 percent GDP forecast for 2024.

However, the government may provide an updated growth view when the budget is presented by the new finance minister, he added.

"The Board observed that inflation is likely to remain well below the target of 5 percent over the next few quarters, potentially recording deflation in the immediate future driven by changes to administratively determined prices and easing of supply conditions," CBSL said in its statement earlier.

Weerasinghe said inflation could breach the lower end of the inflation target band of 3 percent-7 percent for two straight quarters as of end-September, requiring the CBSL to explain the reasons to the government as per law.

CBSL cut rates by 25 basis points in July as part of an easing cycle that has seen rates drop by a total 7.25 percentage points since June 2023, partially reversing the 10.50 percentage points of increases following the financial crisis.

"Growth and credit growth are currently at decent levels. Given premiums have gone up on government securities due to political uncertainty, CBSL would want to see that reduction first," said Udeeshan Jonas strategy head at Colombo-based equity research firm CAL.

STOCKS (WEEK-ON WEEK)

DSEX ▼	CASPI ▼
1.68%	2.46%
5,639.13	16,793.22

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▲
$2,658.34 (per ounce)	$68.63 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.31%	▲ 2.32%	▼ 0.25%	▲ 2.88%
85,571.85	39,829.56	3,573.36	3,087.53

UK retail sales jump

REUTERS, *London*

British retailers reported the fastest growth in sales since May this month and see a further modest expansion for October, the Confederation of British Industry said on Friday, in a contrast to other more downbeat surveys of consumer sentiment.

The CBI said its monthly retail sales balance rose to +4 in September from -27 in August, while retailers' expectations for the month ahead rose from -17 to +5, their strongest since April 2023.

However, retailers judged that sales continued to remain below normal for the time of year.

"While some firms within the retail sector are beginning to see tailwinds from rising household incomes, others report that consumer spending habits are still being affected by the increase in prices over the last few years," CBI Principal Economist Martin Sartorius said.

Earlier this week, Bank of England Monetary Policy Committee member Megan Greene said she saw a chance that consumer spending might rebound more strongly than the BoE was expecting, as it remained below pre-pandemic levels despite a recent recovery in the incomes of many households.

However, consumer surveys by both GfK and the British Retail Consortium show many households remain cautious due to high inflation in 2022 and 2023 and concern about possible tax rises in the new Labour government's first budget on Oct. 30.

High policy rates may hamper investment

FROM PAGE B1

"When interest rates rise, the flow of loans decreases," he said.

Ahmed said the interim government has some other tools at hand to reduce inflation and it should utilise them.

"Food wastage is one of the biggest causes of inflation in the country. If wastage at the production stage is reduced, inflation will be reduced and import demand will also be reduced," he added.

Ahmed also said the biggest challenges for the interim government were to attain microeconomic stability and restore law and order.

"We're still having gas and electrical troubles. If we cannot overcome the challenges of labour unrest and energy shortages, it will have a significant impact on exports," he added.

However, Md Salim Al Mamun, director for research of Bangladesh Bank's Chief Economist Unit, urged the business community to be patient amid the current economic situation.

"Inflation is not under control yet, so until it declines, the policy rate will continue to rise, as stated in the central bank's monetary policy," he said.

Recently, the interim government raised the policy rate from 9 percent to 9.5 percent.

He emphasised that stabilising inflation and the macroeconomic environment were currently more important than focusing on economic growth.

"Taming inflation should be the topmost priority now as it directly hits the low-income group," he said.

"In this situation, if we have to compromise, such as if gross domestic product (GDP) growth comes to stand at nearly 5 percent, it would be treated as a success for the government," he added.

Mamun expressed hope for inflation to return to a manageable level within eight to 10 months, on condition the government's measures are properly implemented.

Regarding default loans, the DCCI president said it was an issue involving 10 to 12 weak banks, not the entire banking sector.

"During this reform period, we have to ensure that these reforms do not negatively impact the entire banking sector," he said.

The DCCI president also recommended maintaining the flow of bank loans for industry and cottage, micro, small and medium enterprises at a normal level.

Khan Ahmed Sayeed Murshid, former director general of the Bangladesh Institute of Development Studies, said everything happens so fast in this world that it leaves no alternative but to respond quickly.

"With economic challenges, a few non-economic challenges that are also very crucial need to be addressed soon," he added.

Murshid underscored the importance of broad-based inclusive growth ensuring fundamental food, power and energy security alongside education and skills development.

To tap into future opportunities, he hinted that AI based technology would have a major impact on the global economy.

Mohammad Abu Eusuf, a professor of development studies at the University of Dhaka, urged for better coordination among the monetary and fiscal policies and market management to curb inflation.

Per capita

FROM PAGE B1

"The arrear was rising due to dollar shortages and low revenue earnings of the companies."

Regarding the current interim government's endeavour to get more foreign loans amid the higher per capita debt, Hussain said, "The government will have to repay the arrears, so it has no other option but to go for more loans."

As foreign arrears must be repaid to continue getting power and fertilisers, the government needs loans. Already, the sourcing companies and countries have informed that if Bangladesh does not repay the arrears, they will not be able to send furnace oil or fertilisers in the future.

"If we cannot import them, how will we run the economy? So, the country needs cash dollars," said Hussain.

According to him, to get cash dollars, loans from the International Monetary Fund (IMF) and World Bank are an option and these loans have comparatively low costs.

Without this, the government has no other big way, he said, adding, the government should use all types of instruments as they are now seeking budget support in most cases.

For instance, the government can take funds through investment project financing, guarantees, etc, which can reduce the foreign exchange payment burden, he added.

Progress slow

FROM PAGE B1

of the Research and Policy Integration for Development (RAPID).

Primarily, the government should know whether it is prepared or not for launching the negotiation as capacity is a major factor in conducting trade deal negotiations with the trading partners, he said.

The preferential trade deals translate to tariff rationalisation as the partnering countries will always put pressure for reduction of tariffs for signing the final deals, he said.

Bangladesh should assess whether it is capable of rationalising the tariff structure as per demand of the partnering countries, said Razzaque.

Import duties are one of the major sources of revenue of the government as Bangladesh is one of the most protectionist countries with an average tariff rate of nearly 28 percent, he said.

One of the largest sources of import duty is China.

Bangladesh annually imports more than $20 billion worth of goods from China. From this, the government's revenue department earns more than Tk 25,000 crore.

Meanwhile, after the change in government, a section of businesspeople has been urging the interim government to review whether Bangladesh truly fits the criteria for LDC graduation.

There is a lot of mismatch in export and import data among different government bodies, for which questions remain over the country's actual economic potential, they say.

Tk 75cr loss looms over UCB

FROM PAGE B1

Yesterday, the stock was traded at Tk 43. It is clear that UCB bought the share when the share price was at its peak.

When the price of a stock reaches an abnormally high level due to manipulation, the manipulators need to dump it fast, said Al-Amin, an associate professor of the Accounting and Information Systems Department of the University of Dhaka.

Institutional investors can work well as a dumping station as general investors cannot buy a large number of shares at a high price, he told The Daily Star last week.

"Here the bank was used for dumping. Some people of the bank may be involved who put pressure for the purchase of the shares to benefit the manipulators," he said.

There are many examples of such cases where banks, NBFIs, and mutual funds were misused in the same way, said Al-Amin.

The bank officials or directors who are engaged in buying the stock are provided benefits through underhand deals for the gains of the manipulators, he said.

Meanwhile, the bank's funds become stuck and it incurs a hit and the stock market loses liquidity, he added.

"It's a nexus," said Al-Amin.

A top official of a leading asset management company, preferring anonymity, said all investment decisions should be based on proper research.

No research can support the purchase of this share at such a high price and volume. "So, it is clear that it was bought to benefit someone," he added.

Profits of Genex Infosys dropped 21 percent year-on-year to Tk 30 crore in the first nine months of the fiscal year 2023-24.

Its earnings per share stood at Tk 2.54 in the July-March period of the fiscal year that ended recently.

Commercial banks are largely funded by depositors' money and thus have a fiduciary responsibility towards them and part of that responsibility involves taking prudent investment decisions and risk management practices, said Asif Khan, president of CFA Society Bangladesh.

"The investment in this case seems very large compared to the total portfolio size and thus raises some questions," he added.

A top official of the bank, preferring anonymity, said the purchase decision was taken by the board of directors and termed a "strategic investment".

Usually, it is the management team of a bank that sends such proposals to its board and then, based on it, the board either approves the proposal or declines it. Here, this banking norm was violated, he added.

Several top officials of the UCB confirmed to The Daily Star that the decision was taken by the board of directors under the influence of Anisuzzaman Chowdhury Rony, a former director of the bank.

Mohammod Monwar Hossain, head of the treasury department of the UCB, did not receive phone calls and a text message from The Daily Star last week for a comment representing the bank's management team.

The Daily Star also tried to contact Rony several times. However, his mobile was found switched off.

MINIMUM 2% SHAREHOLDING for board membership a reason behind banking sector ills

Says new chairman of First Security Islami Bank

AM JAHID

Abdul Mannan

Referring to the legal provision requiring a 2 percent shareholding in a commercial bank to become a director, Abdul Mannan, chairman of First Security Islami Bank (FSIB), said this has driven away seasoned banking leadership from boardrooms and allowed infamous individuals like S Alam into banking leadership roles.

He compared the "black law" to the 213-years-old Permanent Settlement Act during the British era, allowing permanent land ownership by zamindars only to facilitate colonialism.

"This is one of the key reasons behind the current crisis in the banking sector," Mannan told The Daily Star in a recent interview. He blamed the past government for carrying out the change to the Bank Company Act to mandate the shareholding provision.

Mannan, former managing director of Islami Bank Bangladesh, was forced to resign from his post after being taken hostage at gunpoint by S Alam with the help of security agencies in 2017.

Subsequently, he left the country and returned home days after the fall of the Awami League government on August 5 in a mass uprising. He was then appointed to navigate the recovery of the crisis-hit Shariah-based lender.

"Returning home after seven and a half years, I find that the entire banking sector, particularly Islamic banks, are facing crushing challenges, with their reputation severely damaged," he commented.

As per the Bank Company Act, any individual aspiring to become a director of a private commercial bank must hold at least 2 percent of the total paid-up capital of that bank.

Mannan said the former Awami League government amended the Bank Company Act, 1991, in 2013 to add the provision of 2 percent shareholding.

Cashing in on this opportunity, he said a section of influential and wealthy people was allowed to penetrate the boardrooms of banks by simply acquiring 2 percent of the banks' shares.

"Mohammed Saiful Alam [widely known as S Alam] is a glaring example of the abuse of this law," he said.

Before Mannan, Mohammed Saiful Alam, owner of the Chattogram-based controversial conglomerate S Alam Group, was the chairman of First Security Islami Bank.

Mannan said, as a result of the 2013 amendment, some real banking leaders who helped establish good governance were ousted from boardrooms for not having the 2 percent share.

In contrast, people like the S Alam Group owner took control of the banks, he added. "This particular group [S Alam Group] came in and bought the majority of the shares, consequently becoming the owner of seven or eight banks."

As a result, four or five members of a family bought shares above 2 percent and took control of the entire board. And in some banks, he said, no board meetings were held for years.

BUSY WEEKENDS TO HEAL FSIB WOUNDS

On a recent Saturday afternoon in September, the headquarters of First Security Islami Bank was unusually active.

Despite the weekend, top executives, including the new chairman of the bank facing severe financial distress, were found busy.

Mannan, 72, spent the day moving between floors, supervising and interacting with employees.

"The overall situation is not so good. We are working day and night, even on weekends, to pull out the bank from the verge of financial collapse," said Mannan.

He said since assuming office as the chairman on September 2, he has made all-out efforts to motivate the bank's executives, while stepping up the loan recovery drive.

As a result, he said they have been able to recover bad loans of Tk 350 crore in the last three weeks.

"We are trying to improve the health of our bank and conducting a continuous drive for bad loan recovery. We have been working relentlessly for the sake of the depositors," he said.

Airing concerns over the bad loans, he said the entire assets of their 29 lakh depositor have been concentrated in nearly just 200 borrowers.

"It was also because of the 2 percent shareholding provision."

The deposits, which were collected from across the country through over FSIB 200 branches and 175 sub-branches, were mainly distributed to the borrowers through the Khatunganj branch in Chattogram and Gulshan and Motijheel branches in Dhaka, he said.

These three branches of the bank approved large loans.

According to the bank's latest annual report, its total deposits are about Tk 45,000 crore. The amount of classified loans stood at nearly Tk 2,254 crore while the non-performing loans (NPLs) stood at Tk 1,400 crore.

The Bangladesh Bank has taken many initiatives to improve the bank's situation, including allowing the lender to avail of interbank liquidity support.

Mannan said that FSIB's crisis would be over soon.

"I hope there will be a big positive change in the situation soon," he said. "By October, I hope, the crisis will end. And, by November and December, we will be able to achieve positive growth."

"Our customers will not lose a single taka," he assured.

FIRST SECURITY ISLAMI BANK: AT A GLANCE

- Branches: **205**
- Sub-branches: **174**
- Agent outlets: **107**
- ATMs: **229**
- CRMs: **27**
- Collection booths: **28**
- Accounts: **2,913,024**
- Deposits: Tk **45,000**cr (As of August 31, 2024)
- Investment: Tk **60,154**cr
- Classified loan: Tk **2,254**cr
- NPL: Tk **1,400**cr

Renata's profit rises 55% to Tk 362cr

STAR BUSINESS REPORT

Renata PLC reported higher revenue and profit in fiscal year 2023-24 primarily due to higher exports and lower finance costs.

The company's revenue increased 14 percent year-on-year to Tk 3,771 crore in FY 24, with the profit surging by 55 percent year-on-year to Tk 362 crore, according to a disclosure by the company.

"Cost efficiency and optimisation measures helped increase the revenue, but selling, marketing, distribution and administration costs were up by around 8 percent. Regardless, net profit improved."

At a board meeting yesterday, the listed drug maker announced a cash dividend of 92 percent, up from the previous year's 62.5 percent.

"The company's export growth was 4 percent, and the number of export destinations has been increased to 50,

READ MORE ON B2

22 factories closed in Ashulia amid fresh labour unrest

OUR CORRESPONDENT, *Savar*

Protests erupted once again in the Ashulia industrial area yesterday as readymade garment workers now demand withdrawal of cases filed against them over recent vandalism and an increase in the monthly minimum wage up to Tk 22,000 from current Tk 12,500.

At least 22 factories were forced to shut down yesterday following demonstrations that included road blockades at various points.

Workers began the protest in the morning by blocking the Bipail-Abdullahpur road at Zirabo area.

As tensions escalated, demonstrators approached nearby factories, shouting at workers and throwing bricks at factory buildings.

This forced the authorities of 8 to 10 factories to declare the closure of their operations for the day.

Following the political changeover on August 5, labour unrest flared up in apparel belts outside the capital. The workers demanded hikes in wages and other allowances.

After weeks of agitation, factory owners accept all 18 worker demands last week. This has normalised the production lines largely, as the production units have gone into manufacturing overdrive to meet export deadlines.

Requesting anonymity, a worker from apparel-maker Lusaka Group said the factory management filed a case on September 9 against 27 workers and several unidentified individuals with Ashulia Police Station over vandalism and unrest.

"When we previously protested for the case withdrawal, the owner assured us that it would be withdrawn and we would receive a copy confirming that. However, we never received it," the worker said.

"This morning, we arrived at the factory only to find out that the owner had announced the factory closure under the 'no work, no pay' provision of the labor law. So, we gathered workers from nearby factories and took to the streets."

According to Industrial Police, after workers from Lusaka Group began the protest, employees of Mondal Knitwear Ltd of Zirabo area also joined in, blocking the road.

Mondol Group workers had been protesting for several days, demanding the wage to be raised to Tk 22,000. Workers from other factories soon joined the demonstration.

A protesting worker from Mondol Knitwear, also speaking anonymously, told The Daily Star: "We've been demonstrating for several demands, including a salary increase. Upon arrival at the factory today [yesterday], we found the owner closed the factory under the 'no work, no pay' provision."

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Loan restructuring and recovery

MAMUN RASHID

Classified loans in the banking sector have exceeded Tk 211,000 crore. Various agencies are talking of almost Tk 400,000 crores of stressed assets in the banking sector, almost 25 percent of the total loans.

Due to the concentration of loans within a few large borrowers, many banks run the risk of going "belly up" during any possible economic meltdown or challenging period. Besides, the situation is more precarious with the weak banks that enjoyed political favour during the fallen regime.

We went through an era of 30 to 40 percent classified loans. Along with the banking sector reforms driven by development partners with active support from the Bangladesh Bank, credit goes to the risk managers at private and foreign commercial banks, who contributed significantly towards improvement of their asset portfolio despite large growth.

I often face a question from junior bank executives: why does a loan go bad? How can we avoid loan losses? My background as a risk officer for almost 15 years with global banks taught me one fact -- loans usually go bad due to: 1) improper or weak need assessment, 2) wrong structuring of the facilities, 3) security or collateral shortfall, 4) weak internal cash generation in the business leading to recurring past dues, 5) lending on the basis of names of the borrowers without looking into their business fundamentals or future potentials or even succession, 6) ignorance about competition or emerging competition and 7) economic downturn or investment in the business segments other than the core ones having relevance to the future or to the economy.

Added to these are, of course, weak loan appraisal, failure to understand foreign exchange risk where cross border exposures are taken, corruption or failure of the lending officers and weak or no approval covenant monitoring.

A client may always be desperate to get the loan approved or disbursed. It is the job of the lending officer to make sure that he or she has recognised all risks associated with that portfolio or specific business and taken enough measures to mitigate those risks.

We have seen how a large textiles client went through recurring past dues due to wrong repayment structure of the loan. In the same way, we have seen how a large local bank had to provide for large sums of money due to the sudden demise of a large tannery client, having no identified succession.

A large borrower of a state-owned bank became a defaulter right after disbursement of the term loan due to his project cost going through the roof for his failure to cover himself against the exchange rate fluctuation. In most of these cases, the large clients dictated the terms.

One must look at the business model -- how much is the projected turnover, what is the tenor of an end-to-end transaction -- and then derive a figure for facility structuring.

The security or collateral provided must be valued by a proper agency or put up on a market valuation process.

Many banks or financial institutions in Bangladesh even today don't have a risk policy of their own or any structured approach to loan appraisal, disbursement and repayment. I have seen many financial institutions having a large pool of people in their loan or credit departments, yet totally dependent on the board for each loan approval.

A robust risk management culture, with a dynamic risk management policy can help the financial institutions avoid losses. Along with that, it is more important to deploy the right people for risk management.

The author is chairman of Financial Excellence Ltd

Gold pushed to new records as India demand reignites

AFP, *London*

Gold reached record-breaking levels in September, buoyed by a bumper US interest rate cut, fears of rising geopolitical conflict, and an import tax cut in India that has galvanised local demand.

India, the world's second largest consumer of gold jewellery, cut the import tax on gold in July to six percent from 15 percent, sparking a significant increase in appetite for gold jewellery, bars and coins.

The legislation has led to "soaring" local imports of the metal which has given "fresh impetus" to its upwards price, explained Han Tan, chief market analyst at Exinity in an interview with AFP.

Gold has been smashing records throughout September, reaching a new high of \$2,685.58 an ounce on Thursday, up around 30 percent from the start of the year.

The sky-high prices have also been buoyed by gold's status as a safe haven investment during times of economic and political uncertainty.

Investors have increasingly turned to the metal as conflicts in Ukraine and the Middle East unsettled markets for raw materials.

It's also been lifted by the Federal Reserve's jumbo 50 basis point interest rate cut in September.

With falling returns on dollar deposits, major central banks have shifted reserves from the greenback to gold, in a process of "de-dollarization".

The same dynamic has also benefited silver, which reached \$32.71 per ounce on Thursday -- its highest price since December 2012 -- after soaring by around 35 percent in the first nine months of 2024.

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Cuts, cash, credit: China bids to jumpstart flagging economy

AFP, *Beijing*

People shop for food and vegetables at a market in Heze, in eastern China's Shandong province. Beijing's Politburo admitted that the economy was facing new "problems" but pledging to "further improve the focus and effectiveness of policy measures". PHOTO: AFP/FILE

China this week unveiled a bundle of new measures aimed at kickstarting its economy, battered by unprecedented headwinds including a property sector crisis and sluggish spending.

The stimulus followed warnings that more state support was needed to get the world's second-largest economy back on track and hit growth targets for 2024.

Here are the steps announced by Beijing this week:

Rate cuts

The People's Bank of China on Wednesday cut its medium-term lending facility -- the interest for one-year loans to financial institutions -- from 2.3 percent to 2.0 percent. The rate was last lowered in July.

Most Asian markets rose following the announcement, which came two days after monetary policymakers said they would lower China's 14-day lending rate.

The raft of measures are considered the boldest in years as Beijing aims to revive economic activity.

Ting Lu, chief China economist at Nomura, said Beijing "seems finally determined to roll out its bazooka stimulus in rapid succession".

Cash injection

China's central bank also on Friday slashed the reserve requirement ratio -- which dictates how much cash banks must keep on hand -- hoping to boost lending to companies and consumers.

Beijing said this week the cut would inject around a trillion yuan (\$141.7 billion) in long-term liquidity into the financial market.

A major drag on the economy is the housing market, which has been mired in a slump -- home sales volume have tracked a steady decline this year.

But on Tuesday, Pan said that interest rates on existing mortgage loans would be lowered, which he said would benefit 150 million people across China.

"Lower mortgage rates could allow the households to spare a bit more money to spend and should support consumption recovery," said Chaoping Zhu, global market strategist at JP Morgan Asset Management.

Lower down payments

In a potential further boost to the housing market, Pan added that minimum down payments for first and second homes would be "unified", with the latter dropping from 25 percent to 15 percent.

ANZ Research said the package of measures was "sufficient" for the country to achieve 4.9 percent growth this year.

"However, it remains too small and too late for the ongoing property woes," the firm said in a note.

"We estimate the average mortgage rate will be lowered to about 3.0 percent by this year end, which is still too high compared to the average rental yield," they said.

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