

Star BUSINESS

AkijBashir Group recently began production at a sprawling glass plant in Habiganj, placing emphasis on more transparent and pure products



Interview on B4

IMF reaffirms support in fighting economic challenges

REJAUL KARIM BYRON

The International Monetary Fund (IMF) has reaffirmed its support for Bangladesh's interim government in overcoming the various economic challenges the country has been facing in recent times.

In a statement issued yesterday upon completion of its fact-finding mission's visit to Dhaka, the IMF said the country's financial sector vulnerabilities have become more pronounced.

"We support the authorities' efforts to initiate policy adjustments, including continued monetary tightening and

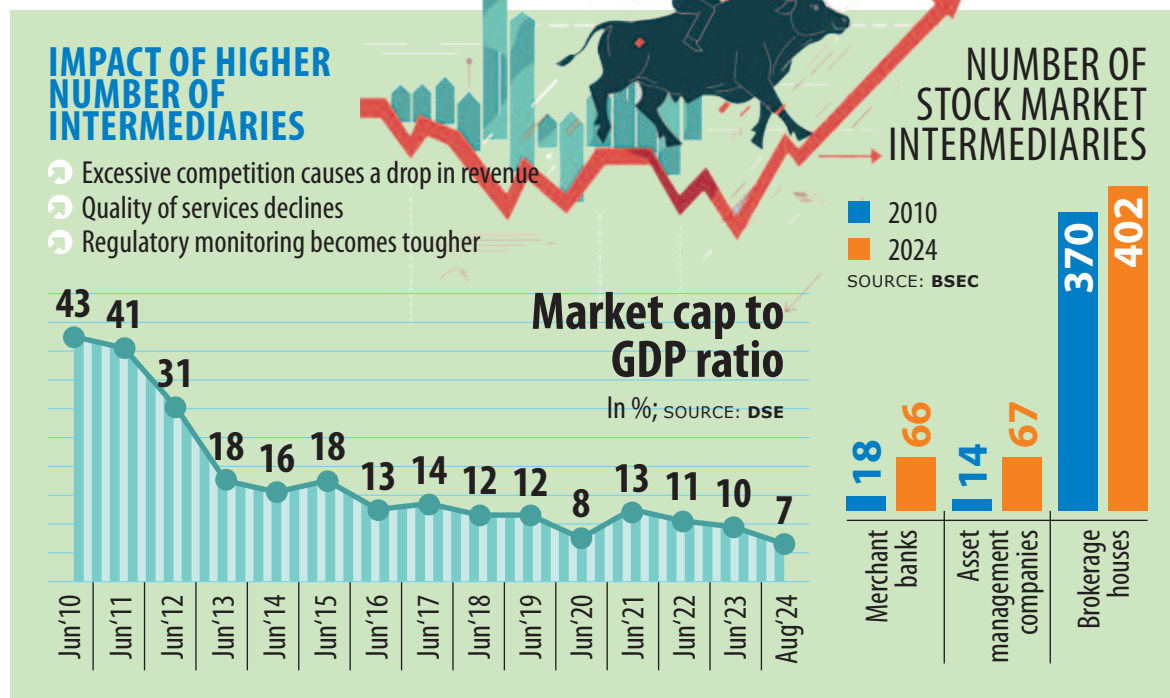
tax revenue collection has declined, while spending pressures have increased and domestic payment arrears have accumulated.

"Financial sector vulnerabilities have become more pronounced," the IMF said.

"In this context, the authorities and IMF staff have held open and productive discussions on the policies and reforms needed to address these emerging challenges," the statement continued.

"The IMF remains a steadfast partner, fully committed to supporting Bangladesh and its people," it added.

"Within the framework of the



Too many stockbrokers, asset managers approved during Hasina's regime

AHSAN HABIB

Over the past 15 years, investors have fled the market, initial public offerings (IPOs) have been scarce and capital market growth has fallen short of expectations. Despite this dry market, the number of stock intermediaries entering the market increased steadily.

The stock regulator's puzzling approval of these intermediaries has led to several adverse outcomes -- broadly a decline in the quality of market services offered to investors.

In the past 15 years of the Awami League regime, the number of asset management companies has risen to 67 from 14 while merchant banks have increased to 66 from 18. Similarly, stock brokerage firms have grown to 402 at present from 370 in 2010.

"These licences were issued on political grounds," said Saiful Islam, president of the DSE Brokers Association of Bangladesh. "But licences for stock intermediaries should have been granted based on the market size."

Subsequent excessive competition, according to Islam, has forced intermediaries to cut prices and compromise quality,

leaving many barely surviving now.

Despite offering portfolio management services, only a few merchant banks have must-have research wings, he said, citing this is "almost rare in foreign countries".

"When the stock market was struggling, the regulator granted licences to as many as 60 new brokerage firms. I don't understand the basis for these approvals," Islam added.



Ultimately, more than a dozen of these new intermediaries have yet to start any operations, whether as stock brokerage firms, asset management companies or merchant banks.

Central Depository Bangladesh Ltd data shows that despite the increasing number of stock brokerage firms in the past 15 years, the number of beneficiary owner accounts has nearly halved -- from 3.4 million to 1.67 million.

Meanwhile, Asif Khan, president of the CFA Society Bangladesh, said

a surge in intermediaries always makes regulatory monitoring more challenging.

The Bangladesh Securities and Exchange Commission (BSEC), for this case, must now monitor around 600 intermediaries and listed companies in addition to the secondary market.

"With such limited manpower, how is it possible to properly monitor them?" Khan questioned.

He said the BSEC has allowed exemptions from maintaining provisions for negative equity on margin loans for the past 14 years to keep the market afloat. Some intermediaries have become insolvent but have been allowed to continue operations, making the entire system risky.

Regarding the higher number of merchant banks, Khan said it is difficult to attract good companies to the market if the environment remains unfavourable.

Although the number of merchant banks has tripled to 68, IPO approvals have declined steadily in recent years, with a total of 127 companies listed in the past 15 years, according to the BSEC.

For discouraging companies

READ MORE ON B3

IMF ON CHALLENGES

- Deterioration in balance of payments has put additional pressure on forex reserves
- Spending pressures have increased
- Domestic payment arrears accumulated
- Inflation remains at double-digit levels
- Tax revenue collection declined

KEY POINTS

- IMF to work closely to advance reform agenda
- Details on fresh loan to be discussed during IMF-World Bank annual meetings
- IMF board to decide on providing fresh loans or extending current loan programme

rationalising non-priority capital spending, in response to these challenging circumstances," the lender said in the statement.

After assuming office, the interim government sought a fresh \$3 billion loan from the IMF in addition to the ongoing \$4.7 billion loan programme approved in January of last year.

Of the \$4.7 billion, \$2.3 billion has already been disbursed.

The multilateral lender said further discussions on renewed support would be held during the upcoming 2024 IMF-World Bank Annual Meetings in Washington DC from October 22.

From September 24 to 30, the IMF mission team, led by Chris Papageorgiou, visited Dhaka to discuss needs assessments and identify economic challenges.

After the visit, the IMF said that "economic activity has slowed markedly while inflation remains at double-digit levels owing to the recent turbulence and major floods.

"The deterioration in the balance of payments has put additional pressure on foreign exchange reserves. Concurrently,

ongoing IMF-supported programme, we will continue to work closely with the authorities to advance Bangladesh's reform agenda, which aims to ensure macroeconomic stability, promote job creation, strengthen institutions, and foster strong, sustainable and equitable growth."

"We welcome the authorities' renewed commitment to implementing the reforms under the IMF-supported programme. Discussions on how to proceed with programme reviews will continue during the upcoming 2024 IMF-World Bank Annual Meetings," the statement added.

IMF Managing Director Kristalina Georgieva met with Chief Adviser Prof Muhammad Yunus in New York on the sidelines of the United Nations General Assembly last week.

At the meeting, the IMF assured the interim government of providing more loans on a "fast-track" basis.

Georgieva said the IMF "would fast-track financial support for the government" and that she had sent a team to Bangladesh "quickly".

READ MORE ON B3



Debapriya Bhattacharya

Workers being deprived of fair wage

Labour leaders tell Debapriya

STAR BUSINESS REPORT

Workers have been deprived of a fair share of the country's development as they are still not being paid proper wages, labour leaders yesterday told Debapriya Bhattacharya, head of a committee preparing a white paper on the state of the economy.

"Labour leaders claimed that the measures put in place to protect workers' interests, such as housing and maternity benefits, are inadequate," he said after meeting labour leaders at the Planning Commission in Dhaka.

The meeting was a part of a series of dialogues that the 12-member committee was holding with stakeholders.

READ MORE ON B3

Debt servicing costs outweigh incoming loans

MD ASADUZ ZAMAN

Bangladesh's cost to service loans from multilateral and bilateral lenders surpassed the amount received from them during the first two months of fiscal year (FY) 2024-25, indicating that the country's already fragile foreign exchange reserves may be stressed further.

External debt servicing costs soared 47 percent year-on-year to \$589 million in the July-August period amid rising global interest rates and a heavier foreign loan portfolio.

In the same period, the country received \$458 million from global financiers, down 38 percent year-on-year.

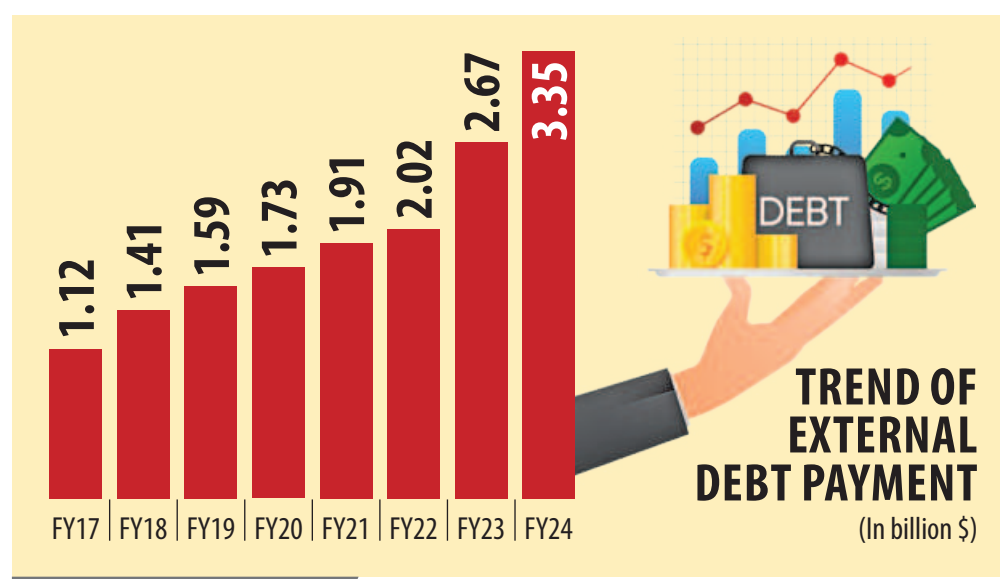
Overall, loans disbursed by foreign lenders were around \$131 million lower than the money spent by the government on debt servicing.

"The July-August period was one of the most eventful periods in Bangladesh's history, marked by significant changes and uncertainty," said Md Deen Islam, an associate professor of economics at the University of Dhaka.

"As a result, it was expected that loan and grant commitments and disbursements would be low during this period."

The Economic Relations Division (ERD) said overall commitments from financiers dipped drastically to only \$20 million in the first two months of FY25 compared to \$1.14 billion a year ago.

This situation has arisen at a time when Bangladesh is struggling to increase its foreign exchange reserves and contain exchange rate



volatility.

"The finance ministry must expedite access to foreign loans and grants that multilateral partners have committed to providing," said Ashikur Rahman, principal economist at the Policy Research Institute of Bangladesh.

The ministry should do that so the pressure of these international payments on our foreign reserves is minimised, he said.

Rahman said the interim government should also try to renegotiate bilateral loans taken under government-to-government frameworks to reduce medium-term pressure

on the balance of payments.

Asked whether this situation is a matter of concern right now, Rahman said: "Nothing major, but we must be watchful."

He suggested that the ERD formulate a five-year projection to help policymakers understand how much is expected in debt repayments annually over the next five years.

"It can help improve economic planning," he said.

In the July-August period, Japan disbursed the highest amount, releasing \$130 million.

READ MORE ON B3



Salehuddin Ahmed

Automated financial services can curb graft

Salehuddin says

STAR BUSINESS REPORT

Automation of government financial services is critical for reducing corruption and resource misuse, said Salehuddin Ahmed, finance adviser to the interim government.

He made the remarks while inaugurating several new online platforms at the finance ministry yesterday.

Ahmed emphasised that integrating financial services into a unified digital system would improve transparency and accountability.

The newly launched platforms aim to streamline services provided by the Finance Division.

READ MORE ON B3

Eastern Bank PLC.

Your journey starts with ultimate luxury at EBL Skylounge

SKYLOUNGE

The Daily Star

FOR ALL LATEST NEWS FOLLOW US

Facebook: /dailystarnews

Twitter: /dailystarnews

Instagram: /dailystarnews

LinkedIn: /dailystarnews

Website: www.dailystar.net

MyPrime | grameenphone

BANK ON ZERO-MB

Prime Bank

Grameenphone users can now get banking done on MyPrime app without incurring any extra internet charge

To Download MyPrime Scan Here