

# Star BUSINESS

Government's food distribution under various social protection schemes declined 14 percent year-on-year in the first quarter of fiscal 2024-25



Story on B4

## Cash outside banks keeps rising

AM JAHID and MD MEHEDI HASAN

The volume of cash outside the banking sector of Bangladesh has been increasing since the start of the year due to persistent inflation, the loss of consumer confidence in the sector due to the presence of ailing lenders, and the prevailing situation following the recent political changeover.

During the July-August period of this year, cash outside banks rose by nearly 1 percent, or Tk 2,000 crore, to Tk 292,000 crore compared to the end of June, data from the Bangladesh Bank (BB) showed.

In July, the volume of money outside banks was Tk 291,000 crore, showing an uptick, the central bank data showed. August was the ninth consecutive month that currency outside banks grew.

BB data showed that money outside the banking sector began to decline after June 2023, standing at Tk 248,000 crore at the end of November.

However, this trend reversed in December of last year, a month before the national elections, and money outside banks continued to rise until August.

Between November 2023 to August this year, the volume of currency outside banks soared 17 percent or Tk 44,000 crore, according to the BB.

Bankers attributed persistent inflationary pressure and a deficit of trust among depositors in some banks as factors that contributed to the rise. Besides, the cash crunch at banks could also be responsible for the recent spike in cash among the public, they said.

**During July-August this year, cash outside banks rose by nearly 1 percent, or Tk 2,000 crore, to Tk 292,000 crore compared to the end of June**

Syed Mahbubur Rahman, managing director and chief executive officer of Mutual Trust Bank Limited (MTB), said the current situation stems primarily from a lack of overall public confidence.

Many individuals are struggling to withdraw money from ailing banks, leading to apprehension about the future, he said.

Rahman also noted the significant presence of black money in the economy complicates matters further, especially with governmental changes that hinder efforts to address it.

He also pointed out that people are increasingly spending more to manage their daily expenses.

"This trend of money going outside the banking system is alarming. This is why we aim to transition to a cashless society," Rahman said.

Central bank data showed that total deposits in banks declined by nearly 1 percent, or Tk 10,907 crore, to Tk 173,100

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STOCKS	
DSEX ▼	CASPI ▼
0.92%	0.50%
5,316.21	14,972.32

COMMODITIES	
Gold ▲	Oil ▼
\$2,674.6	\$70.59
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.39%	▼ 1.83%	▼ 0.13%	▲ 0.05%
81,501.36	39,180.30	3,590.62	3,202.95

## Deal for 2nd Excelerate FSRU scrapped

STAR BUSINESS REPORT

The interim government has decided not to sign an agreement with US-based Excelerate Energy to build another regasification plant for liquefied natural gas (LNG) imported by Bangladesh, according to officials of state-run Petrobangla.

Petrobangla has cancelled a memorandum of understanding (MoU) for signing the deal, said the officials.

The decision comes following the cancellation of another deal with Summit Group for building a third floating storage and regasification unit (FSRU) in the country, said a top Petrobangla official yesterday after a meeting with Excelerate Energy delegates.

Former US ambassador to Bangladesh Peter D

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## Govt takes first step to join China-led trade bloc

STAR BUSINESS REPORT

The commerce ministry on Monday sent a letter of consent to the foreign ministry, requesting Bangladesh's entry into the China-led Regional Comprehensive Economic Partnership (RCEP), the world's largest trade pact.

It is the first formal step taken by Bangladesh to join the RCEP, which is a major trade agreement that includes trade in services, investment, economic and technical cooperation, and dispute settlement.

Bangladesh has taken the initiative to join the RCEP mainly because it will lose preferential trade benefits to markets that make up the Association of Southeast Asian Nations (Asean) group once it graduates from the list of least developed countries (LDCs) in 2026.

The 10 Asean nations -- namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam -- are potential markets for Bangladesh.

Moreover, the RCEP also includes five other countries that have signed the Asean Free Trade Agreement (FTA): China, Japan, South Korea, Australia and New Zealand.

These 15 countries within the RCEP account for 30 percent of global GDP, 31 percent of global foreign direct investment (FDI) and one-fourth of global trade.

"We have sent a letter citing our consent to join the RCEP," a senior officer of the commerce ministry said on condition of anonymity.

Earlier, the office of the chief adviser approved

### ABOUT RCEP

- Regional Comprehensive Economic Partnership (RCEP) is the largest trade agreement globally
- RCEP countries cover 30% of global GDP and 31% of global FDI

### ON BECOMING RCEP MEMBER ...

- Bangladesh's exports may rise by \$3.26b
- GDP may expand by 0.26%
- FDI may increase by 3.36%

Bangladesh's participation in the RCEP.

The RCEP was formally launched in November 2020 and came into effect in January 2022 before opening up its platform in July of 2023 and allowing other countries to join.

Any developed or developing country as well as LDCs can join as members.

The commerce ministry has already completed the required assessment for joining the RCEP, according to a document from the commerce ministry.

Primarily, it is assessed that Bangladesh's export would increase by \$3.26 billion and FDI by 3.36 percent.

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## Three drug makers ready to produce raw materials in API park

**KEY POINTS**

- Three factories started trial production of active pharmaceutical ingredients at API park in Munshiganj
- The three factories are of ACME, Ibn Sina and Healthcare
- UniMed UniHealth started production on a pilot basis
- ACME Laboratories and Ibn Sina Pharmaceutical submitted samples to regulator for approval
- Healthcare Pharmaceuticals got approval for production from the DGDA

**CHALLENGES**

- Lack of gas connection
- Central effluent plant in the API park is not ready yet

**Industry at a glance**

- Bangladesh depends on import to meet around 85% demand for APIs
- The country imports APIs worth of \$1.3b per year

JAGARAN CHAKMA

After successful trials, three local drug makers are set to begin full-fledged commercial production of active pharmaceutical ingredients (APIs) at the BSCIC API Industrial Park at Gazaria in Munshiganj.

Two of the factories, ACME Laboratories and Ibn Sina Pharmaceutical, are currently awaiting regulatory approval, while the third, Healthcare Pharmaceuticals, has recently begun limited-scale commercial production of these essential drug-making raw materials.

"We obtained approval from the Directorate General of Drug Administration (DGDA) and began manufacturing on a limited scale recently," said Muhammad Halimuzzaman, managing director of Healthcare Pharmaceuticals.

He said full-scale commercial production of some items requires permission from the narcotics department, which they are currently awaiting.

The Bangladesh Small and Cottage Industries Corporation (BSCIC) established the industrial park along the Dhaka-Chattogram highway, allocating 42 plots for 21 industrial facilities.

So far, four local manufacturers -- ACME Laboratories, Healthcare Pharmaceuticals, Ibn Sina Pharmaceutical and UniMed-UniHealth Fine Chemicals -- have set up factories there.

Commercial production at the park spanning 200 acres was scheduled to begin in April of this year. However, it has yet to be connected to the national gas grid or

equipped with a functional common effluent treatment plant (ETP).

"We commenced trial production nearly three months ago and submitted samples to the drug directorate for approval," said Mizanur Rahman Sinha, managing director of ACME Laboratories Ltd.

According to Sinha, ACME has already invested Tk 500 crore to import sophisticated machinery from the United States, Germany, Japan and India to ensure local APIs meet global standards.

**Bangladesh now meets over 97 percent of its domestic demand for pharmaceutical products and exports medicine to more than 151 countries worldwide**

He said the ACME unit will be able to produce APIs worth Tk 600 crore annually.

Jasim Uddin, chief financial officer of Ibn Sina Pharmaceutical, said they submitted their samples to the drug directorate in June this year.

"If the DGDA approves, we will proceed with commercial production of APIs. Our plant is fully ready to begin commercial production."

However, Nazmul Hossain, director of UniMed UniHealth Pharmaceuticals Ltd, said current market conditions are unfavourable for commencing commercial production due to high financing costs.

"We will begin commercial production once financing costs come down," he added.

**Factories ready, park not**

The initiative to establish the API park was taken in 2008, while the BSCIC allocated the plots to drug makers in 2018.

While pharmaceutical giants like Square and Beximco Pharmaceuticals got plots there, they are yet to begin factory construction.

Previously, SM Shafiuzzaman, secretary general of the Bangladesh Association of Pharmaceutical Industries, which represents 265 local drug makers, said most of their members have not set up factories at the park due to the long delay in providing gas connections.

Healthcare Pharmaceuticals Managing Director Halimuzzaman said API manufacturing needs uninterrupted electricity supply, necessitating a gas-run captive power plant.

Diesel-fueled electricity is expensive, ultimately pushing up costs.

Besides, he mentioned potential health hazards and pollution risks associated with pharmaceutical raw material manufacturing without a functional ETP.

Ashraf Uddin Ahmed Khan, the current chairman of the BSCIC, said he was unaware of the latest condition of the API park as he had only recently been appointed to the post.

Sanjoy Kumar Bhowmik, the immediate past chairman of the BSCIC, told The Daily Star that Titas Gas Transmission and Distribution Company assured them of gas connections.

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## Ailing FAS Finance's board reshuffled again

STAR BUSINESS REPORT

Bangladesh Bank yesterday reconstituted the board of directors of FAS Finance, marking the third time in four years that the ailing non-bank financial institution (NBF) has seen a change in its top decision makers.

In a letter to the managing director of FAS Finance, the central bank said it formed the new board in accordance with Finance Companies Act, 2023 to protect the interests of depositors and ensure proper management at the company.

However, two independent directors appointed to the NBF in July earlier this year -- Maj Gen (ret'd) Md Anwarul Islam and Md Mokhlesur Rahman -- remain on the new board.

Islam has been appointed as chairman of the board of FAS Finance, replacing Mohammed Nurul Amin, who was recently named chairman of Global Islami Bank.

The three new independent board members are Md Abdul Hakim, a former executive director of Bangladesh Bank, Md Anwarul Islam, a former deputy managing director of Agrani Bank, and Mostafa Kamal Ahmed FCA, an accountant.

In May 2021, the Bangladesh Securities and Exchange Commission (BSEC) reconstituted the board of FAS Finance with five independent directors.

Then in July this year, the BSEC restructured it once again by removing Md Kamal Uddin Talukder, a former ministry secretary, and Selim Omrao Khan, a journalist.

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## Rejoinder, our reply

Commercial Bank of Ceylon PLC (CBC) has sent a rejoinder to a story headlined "Amid liquidity crunch, banks offer high rates to lure depositors" published in The Daily Star's print version on October 15, 2024.

In the rejoinder, the CBC said the report portrays a negative image of the bank.

It said the article incorrectly highlights a simple interest rate of 13.13 percent without explaining that it applies to CBC's innovative FlexiFD product, which has a four-year maturity period.

When the nominal interest rate is annualised, the effective interest rate is 11.13 percent, which is lower than the risk-free 91-day Treasury Bill (T-Bill) yield of 11.48 percent, it said.

The CBC said its liquidity position is one of the best in the industry.

"CBC has maintained a liquid asset ratio of 41.47 percent, far exceeding the regulatory requirement of 13 percent, and its Capital to Risk-weighted Assets Ratio (CRAR) stands at 47.24 percent, well above the regulatory requirement of 12.5 percent."

It also said CBC's loan-to-deposit (LD) ratio is comfortably at 60 percent, indicating its commitment to maintaining adequate liquidity in both foreign currency and in taka (BDT).

**Our reply**

In our report, we wrote, "NRB Bank is offering the highest interest rate on deposits at 13.46 percent followed by Commercial Bank of Ceylon at 13.13 percent, and Meghna Bank and South Bangla Agriculture and Commerce Bank at 11.50 percent each." Specifically, the CBC has raised the question regarding this paragraph.

Our report contains the names of the top 10 banks

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Eastern Bank PLC.

প্রবৃদ্ধি যখনই  
প্রয়োজন  
ব্যবসায় চাই  
ইবিএল  
**উদ্বীপন**

বার্ষিক ও আবার্ষিক  
স্বাধীন নির্মাণ, ক্রয় ও  
সম্প্রসারণের জন্য  
সর্বোচ্চ ২৫ কোটি  
টাকা পর্যন্ত ঋণ সুবিধা

আপনার প্রয়োজনে  
আপনার পাশে  
ইবিএল  
এসএমই ব্যাংকিং

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