

## LDC graduation won't cause medicine prices to spike: study

STAR BUSINESS REPORT

Medicine prices will not rise because of Bangladesh's graduation from the group of least developing countries (LDCs) to a developing nation in 2026, but structural challenges in the health sector and rising energy costs may have an impact, a study found.

Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), shared this while presenting the findings of a study conducted by his organisation during a seminar at the Sheraton Dhaka in the capital yesterday.

M Abu Eusuf, executive director of RAPID, moderated the seminar, which was jointly organised by Rapid and UK International Development.

Furthermore, Razzaque said different provisions were retained while formulating the patent act of Bangladesh in 2023 to address any upward trend in medicine prices after graduation.

Razzaque added that the benefits afforded by the new patent act are compatible with the rules of the World Trade Organisation.

"Medicines that are imported now may also be imported in the post-LDC period," he said.

In accordance with the new patent law and the Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement, Bangladesh, as an LDC, enjoys a pharmaceuticals waiver.

This allows the country to produce generic versions of patented drugs, significantly reducing the cost of medications.

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## AB Bank's health shows no signs of improvement

MD MEHEDI HASAN

Once a reputable private commercial lender, AB Bank's financial health is now deteriorating gradually due to boardroom mismanagement, loan irregularities, illegal facilities availed by its sponsors and inaccurate measures by the central bank.

Established in 1981, the country's first commercial private bank sat on a massive Tk 10,115 crore toxic loans till September this year. This amount represents 31 percent of the bank's total Tk 32,625 crore in disbursed loans, according to official data.

The volume of bad loans at the private commercial bank doubled in the past year till September 2024. At the end of September 2023, the bank's defaulted loan portfolio stood at Tk 5,941 crore.

To keep provisions of around Tk 8,041 crore against its bad loans, AB Bank is now enjoying a deferred facility from the central bank.

If the regulatory facility is withdrawn and AB Bank makes provisions against its bad debts, the bank will face a huge loss, according to officials at the commercial lender who spoke to The Daily Star on condition of anonymity.

Apart from the burden of default loans, AB Bank, formerly known as Arab Bangladesh Bank, is now facing liquidity stress as its deposits have fallen drastically in recent months.

Till September this year, the bank's deposits totalled around Tk 32,633 crore, down from Tk 35,438 crore at the end of December last year, according to AB Bank's financial statement.

On the basis of risk analysis, the Bangladesh Bank last year placed the bank in the red category. Subsequently, it was decided to merge the bank with a sound market peer – altogether triggering panic withdrawals.

The unexpected cash withdrawals dealt a further blow to the already troubled AB Bank, according to banking insiders.

AB Bank's troubles began to surface at least eight years ago when it faced criticism for a 2016 money laundering incident flagged by the central bank.

A Bangladesh Bank inspection found that the bank laundered nearly Tk 165 crore (\$20 million) to the United Arab Emirates through

### KEY POINTS

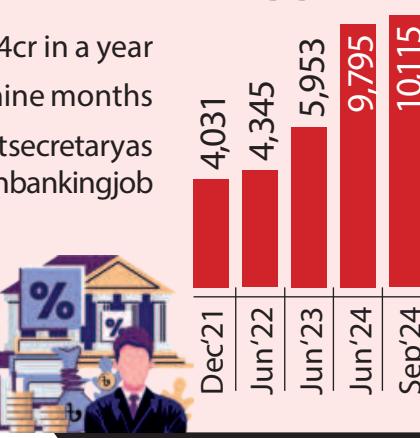
- » AB Bank started journey in 1981
- » Its bad loans increased by Tk 4,174cr in a year
- » Deposits fell by Tk 2,805cr in just nine months
- » The bank appointed a former cabinet secretary as adviser though he has no experience in banking job

### DEPOSITS AND LOANS

Its deposits stood at Tk 32,633cr as of September

Its loans and advance stood at Tk 32,625cr as of September

### DEFAULT LOANS AT AB BANK



SOURCE: BBANDAB BANK FINANCIAL STATEMENT

two shady organisations under the guise of investment.

M Morshed Khan, a former cabinet member of the BNP government, was one of the sponsors of the bank. The bank was under the control of Khan and his family members for a long time, industry insiders said.

During the money laundering criticism, M Wahidul Haque was the chairman of the commercial lender.

In 2017, Haque, along with vice-chairman Salim Ahmed and director Faheemul Huq, resigned from the bank's board of directors.

That year, the Bangladesh Bank appointed an observer to monitor the bank's health closely. The bank still has a central bank coordinator, despite its health showing no significant improvement.

Industry insiders said that loans approved earlier through irregular means have become defaulted in recent years. Besides, lacklustre loan recovery efforts from the top borrowers and mismanagement by the current leadership are also responsible for the bank's ailing health.

The bank is struggling to recover loans from Beximco Group, Sikder Group, Asian City, Buildtrade Group and Mahin Group, they added.

AB Bank provided a guarantee to a non-

bank financial institution Phoenix Finance on behalf of two companies -- Mahin Group and Buildtrade -- totaling around Tk 179 crore, but AB is now struggling to recover the amount from them.

If the recovery of large loans had been prioritised earlier under qualified leadership, the lender's financial health could have been saved, according to AB Bank officials.

But that did not happen, as inaccurate countermeasures hampered recovery efforts.

For instance, the bank appointed former cabinet secretary Kabir Bin Anwar as an adviser to the board of directors to meet parameters under the Prompt Corrective Action (PCA) framework, according to bank documents, despite the bureaucrat having no banking experience.

The Bangladesh Bank introduced the PCA framework in 2023 to help stabilise commercial banks and restore confidence in the financial system.

This was an example of the extent of mismanagement at the bank, as the bank even got the implementation of corrective measures flawed, industry sources said.

In 2019, Tarique Afzal was appointed the president and managing director of the bank. Afzal previously served the bank as deputy managing director.

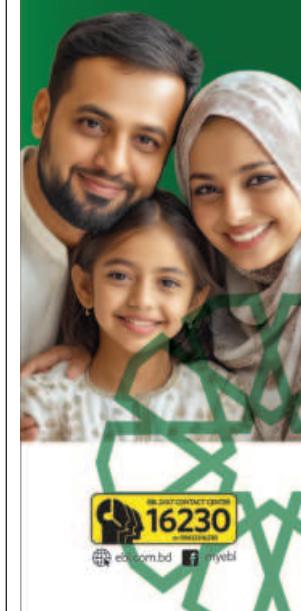
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Govt trying to contain food prices for Ramadan Bashir says

STAR BUSINESS REPORT

The interim government is taking steps to ensure that prices of essential food commodities are within tolerable levels during upcoming Ramadan, said Commerce Adviser Sk Bashir Uddin yesterday.

"I know you (people) are in a lot of pain. We are working on it. The prices of onion, sugar and oil have come down slightly," he added.

Bashir made these remarks while speaking as chief guest at an event on the distribution of an NRBC Bank-supported education allowance among 30 children of deceased members of Dhaka Reporters Unity (DRU) on the platform's premises.

"We are trying to make the market as tolerable as possible ahead of Ramadan. We want to keep the demand and supply at proportional levels," he said.

Food inflation in the country is already high and local markets usually witness a hike in the prices of essential food commodities ahead of Ramadan, putting a burden on consumers having to do with limited incomes.

A lot of malpractices have plagued the society in

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## Energy prices have huge impact on inflation: study

STAR BUSINESS REPORT

Price shocks in coal, oil, and liquefied natural gas (LNG) have profound effects on inflation, exchange rates, and reserves, according to new studies of the South Asian Network on Economic Modeling (Sanem).

For example, a 10 percent increase in coal prices leads to a 0.3 percent uptick in the consumer price index (CPI), while

The first study, titled "Macroeconomic Effects of Energy Price Fluctuations: Evidence from Bangladesh", explored the ripple effects of global fossil fuel price shocks on Bangladesh's macroeconomy.

Sanem Senior Research Associate Md Tuhin Ahmed presented findings that show a significant and immediate impact on inflation, particularly the CPI, when coal and LNG prices rise.

### SANEM STUDY FINDINGS

If coal price rises 10%, inflation goes up 0.3% |  If LNG price rises 10%, inflation climbs 0.2%

NET EXPORTS When price of coal rises 10%, net exports fall 0.25 percentage points When LNG price goes up 10%, net exports drop 0.17 percentage points

When crude oil price jumps 10%, net exports decline 0.16 percentage points

a 10 percent rise in LNG prices results in a 0.2 percent increase in inflation.

The CPI reflects the average change over time in the prices of a specified set of final commodities and services representing the market basket of a given group of consumers, according to the Bangladesh Bureau of Statistics.

Sanem presented three studies, organising a dialogue titled "Exploring a Sustainable Pathway for Bangladesh's Energy Transformation Towards Green and Clean Energy" at BRAC Centre Inn yesterday.

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## \$4b spent a year on healthcare abroad

Expert says in keynote

STAR BUSINESS REPORT

Bangladeshis spend around \$4 billion abroad every year for healthcare, according to Malik Talha Ismail Bari, senior vice president of the Dhaka Chamber of Commerce and Industry (DCCI).

This is due to a lack of specialised treatment, trust in doctors and advanced technology within the country alongside costs being comparatively lower abroad, he said.

Bari, also a director of United Hospital, was delivering a keynote paper through a presentation at a seminar, styled "Reversing the Outbound Healthcare Tourism", at the DCCI yesterday.

There are 5,461 private hospitals and clinics in Bangladesh, of which 1,810 are within Dhaka division, he said.

People in rural areas are deprived of quality and adequate healthcare services while pressure is created for an influx of patients at healthcare facilities in Dhaka.

Limited infrastructure, a lack of skilled workforce, quality and safety concerns, low doctor-patient ratio



### WHY PEOPLE SEEK HEALTHCARE ABROAD

- » Lack of specialised treatment facilities in Bangladesh
- » Lack of trust in local facilities
- » Dearth of advanced technology
- » High costs of treatment
- » Long waiting time
- » Absence of skilled workforce

and long waiting periods are some of the bottlenecks to access advanced healthcare in Bangladesh, he added.

Bari informed that Bangladesh

### BY THE NUMBERS

Bangladesh has 134,000 doctors

Of the number, only 33,000 are govt doctors

There are 5,461 private hospitals and clinics

49% people do not get quality healthcare services

### EXPENDITURE

Per capita health expenditure in South Asia is \$401

Whereas it is \$110 in Bangladesh

SOURCEDCCI KEYNOTE

allocated Tk 30,125 crore, or 3.78 percent of its national budget, for public healthcare in fiscal year 2024-25.

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