

# star BUSINESS



## Growth obsession deepened rich-poor divide

AHSAN HABIB

Income inequality in Bangladesh has seen a steep rise over the past 12 years till 2022, according to official data, as economists blame a singular focus on growth rather than sorting out income disparities.

The Gini coefficient, a measure of inequality, increased from 0.458 in 2010 to 0.48 in 2016. This upward trend continued, reaching 0.50 in 2022, according to the Bangladesh Bureau of Statistics (BBS). This places Bangladesh among the countries with the highest income disparities globally.

A number of proxies throughout 2024 suggested that income inequality might have widened in the outgoing year. For example, consider the number of bank accounts holding Tk 1 crore or more.

In the April-June period of this year, this number increased by 2,894.

In contrast, high inflation over the past two years has pushed at least 78 lakh people into poverty, with 38 lakh of them falling into extreme poverty, according to the non-governmental think tank Research and Policy Integration for Development (RAPID).

According to the World Bank definition, people belonging to the extreme poverty group could not earn even Tk 256 per day over the past two years.

2024

THE YEAR THAT WAS



Amid this inflationary pressure, the Bangladesh Institute of Development Studies (BIDS) reported that the poorest rural residents were increasingly relying on rice to satiate their hunger, cutting back on protein-rich foods.

Paradoxically, the country in the past six months imported eight luxury Rolls-Royce cars, priced between Tk 3.5 crore and Tk 8 crore.

Drawing on his long experience as a bureaucrat, economist AB Mirza Azizul Islam said previous governments have shown little interest in reducing inequality.

"Their main focus has been on GDP growth," he said. To reduce inequality, Islam recommended generating more jobs.

"Private investment has remained stagnant for years," he noted. "Increased investment would lead to job growth and higher incomes, possibly reducing inequality."

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## S Alam-linked firms account for 56% of loans from First Security

### BY THE NUMBERS



The bank's total loans or investment: Tk 60,272 cr (Till Sept)



Bad loans: Tk 12,948 cr (Till Sept)



S Alam-linked companies took out Tk 33,791 cr



More than 100 trading companies took the fund through 24 branches



The bank will now take action against 194 officials

### KEY POINTS

BB restructured the board of First Security Islami Bank in Sept

The MD of the bank cannot avoid responsibility, officials of the bank say

The lender is now running operations with central bank liquidity support

### MAJOR IRREGULARITIES

- Excessive investment
- Overvaluation of collateral
- Violation of rules in loans rescheduling



MD MEHEDI HASAN

Companies linked to the controversial S Alam Group took out 56 percent of the total disbursed loans of First Security Islami Bank (FSIB), one of six Shariah-based lenders controlled by the Chattogram-based business giant.

As of this September, the total loans of First Security Islami Bank stood at Tk 60,272 crore, of which Tk 33,791 crore, or 56 percent, was taken by companies linked to S Alam Group, according to an internal inspection of the bank.

These loans were disbursed through 24 of FSIB's branches in Chattogram to over 100 trading companies linked to S Alam, according to bank officials involved in assessing the commercial lender's exposure to the business conglomerate.

Mohammed Saiful Alam, chairman of S Alam Group, who was close to deposed prime minister Sheikh Hasina, was also chairman of the bank.

After the fall of Hasina's government on August 5, the Bangladesh Bank reconstituted the boards of eleven banks, including FSIB.

Under the new board, the internal control and compliance division of the bank conducted the inspection from September 10 to 22.

The inspection team found huge

irregularities in loan disbursement, including excessive investment violating rules, overvalued collateral, irregularities in loan rescheduling and classifying non-performing loans as regular.

The inspection report remarked that the bank's Tk 33,791 crore in loans from 24 Chattogram branches were disbursed through scams and irregularities, plunging the bank into deep financial trouble.

According to the report, these irregularities

have led to massive financial losses and tarnished the reputation of the bank. It also eroded customer confidence.

The report added that all officials and stakeholders have been negatively impacted by these irregularities.

The 24 Chattogram branches are -- Jubilee Road, Anderkilla, Kadamtali, Pahartali, Fatehabad, Khatungonj, Hathazari, Khulshi, Rahattarpul, Halishahar, Bandartila, Dobashi, Kumira, Sadarghat, Chawkbazar, Prabartak More, Boalkhali, Mohra, Agrabad, Chandanaish, Patiya, Patiya Women's, Bahaddarhat.

Requesting not to be named, a member of the inspection team told The Daily Star that these branches disbursed loans to over 100 trading companies, though most of them were not eligible for credit.

The inspection report showed that companies such as M/s Baniya Bitan, M/s Deluxe Trading Corporation, Eco Trade Corner, Globe Traders, Image Trade

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### KEY POINTS

- Geyser market is growing gradually
- Local production made the device affordable
- Tk 20 crore enough to set up a manufacturing unit
- Expansion of electricity to rural areas driving growth

### AT A GLANCE

- Estimated market size: Tk 380 cr to Tk 400 cr
- Estimated sale: 4 lakh/year
- Major local makers: Around 12
- Price range: Tk 5,000 to Tk 15,000



## Geyser sales pick up as winter bites

JAGARAN CHAKMA and KONGKON KARMAKER

Like last year, there is a good demand for electricity-run residential water heaters, locally known as geysers, since the coming of winter this year thanks to changing lifestyles in semi-urban and urban areas and affordable prices, according to industry insiders.

Temperatures yesterday dropped to a minimum of 15.1°C in the capital while the lowest in the country was 8.9°C in Sreemangal, as per data of the Bangladesh Meteorological Department.

Faisal Mahmud, a technician in Uttara of Dhaka, said he has been installing at least two geysers every day since the start of December and anticipates having to set up even more from the first week of January.

During this winter season from November to February, sales could total at least 400,000 units whereas three years back it was just around 120,000 units, claim industry insiders in spite of a dearth of reliable data.

This season's sales could amount to about Tk 380 crore to Tk 400 crore and a major portion is generated by about a dozen local

businesses offering the product under their own brands.

The electrical appliance comprises simple technology and Tk 20 crore to Tk 25 crore is needed to set up a manufacturing plant capable of producing at least 35,000 units to 40,000 units annually.

Sales have been apparently quite high for Walton Group, which manufactures and sells products under its own brand.

Local businesses are now producing high quality goods and are fully equipped to meet domestic demand, said Rinto Augustin

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