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Tk 3,000cr to be raised through sukuk for rural infrastructure

STAR BUSINESS REPORT

The government has decided to issue Tk 3,000 crore worth of sukuk, a Shariah-compliant bond, in March to fund the construction of bridges to connect rural roads.

This move aims to boost agricultural production and improve socio-economic conditions at the grassroots level.

A sukuk is an Islamic financial certificate, similar to a treasury bond, structured to generate returns in compliance with Islamic finance principles.

This will be the fifth sukuk issued by the government, which has moved to raise funds through the Shariah-based bonds at a time when overall tax receipts witnessed a downturn, making it more reliant on borrowing to finance public expenditure.

In the July-October period of FY25, the government's net domestic borrowing from the banking system and from non-banking sources rose to Tk 39,218 crore. It stood at just Tk 2,295 crore a year ago.

The central bank said the government has so far raised Tk 19,000 crore through sukuk to finance various projects since launching the bond by raising Tk 8,000 crore to implement a safe water supply project in December 2020.

The government will float the bond in March this year, the Bangladesh Bank said in a press release yesterday.



The central bank's disclosure comes a day after it hiked sukuk subscription opportunities for individuals, provident funds, and deposit insurance to 20 percent from the previous 5 percent to attract high-net-worth individuals.

The BB said 70 percent of the sukuk will be allocated to Shariah-based banks, finance companies, and insurance companies, down from the previous 85 percent.

Islamic branches and windows of conventional banks will be able to subscribe to 10 percent of the sukuk bond.

The BB said part of the money raised will be used for a Tk 6,500 crore project titled 'Construction of Important Bridges on Rural Roads', taken by the previous government at the beginning of 2017. The project is scheduled to close in June of 2026.

The funds raised will also be used for social development projects, the central bank said.

"This project aims to ensure the development of rural road communication systems, improving socio-economic conditions and increasing agricultural production in rural areas," the central bank said.

"The rural road communication is also enabling transportation of agricultural and non-agricultural products, reducing costs, and ensuring employment opportunities."

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BY THE NUMBERS

Revenue collection in Jul-Dec: Tk 156,442cr	Revenue shortfall in Jul-Dec: about Tk 58,000cr	Revenue target in FY25: Tk 480,000cr
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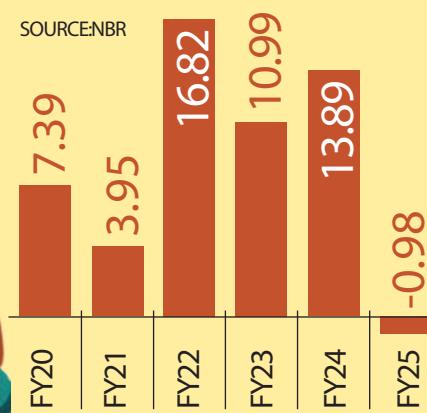
REASONS BEHIND REVENUE SHORTFALL

- ④ Economic slowdown
- ④ Lower import
- ④ Higher inflation
- ④ Smaller tax net
- ④ Lower ADP spending



TREND OF REVENUE GROWTH

July-December period; In %



MD ASADUZ ZAMAN

For Bangladesh, it is no longer the question of whether the economy is destined for a hard landing or a glide to a flat state; rather the question now is how deep the descent will be.

To fathom the crisis, let's take a look at the country's tax collection.

Roughly speaking, the collection turned negative in the first half of the current fiscal year (FY) 2024-25, which is a first since at least the pandemic era -- when markets shuttered, manufacturing units came to a grinding halt, supply chains collapsed, and life and livelihood endured unprecedented shockwaves.

But those days were long over.

Yet, in the July-December period of FY25, taxmen collected Tk 156,442 crore -- 0.98 percent down year-on-year, according to National Board of Revenue (NBR) data.

This negative growth in revenue collection itself is not the disease, according to economists and businesspeople. Rather, it is a symptom of a slowing economy and growing cracks on the macro frontier.

In FY25, major macro indicators like the growth of the gross domestic product (GDP) tumbled, high inflation continued its rampage without showing signs of stopping anytime soon, the exchange rate remained volatile, and development spending hit a four-year low.

All these fairly indicate a single message: the economy is slowing down, it is hurting and will continue to do so due to a lot of factors, including revenue mobilisation, according to economists.

They said NBR's struggle to mobilise revenue and meet targets is nothing new, but these newly emerged economic cracks have added to the collection inefficiency.

In the last 13 years, the revenue board has been consistent in failing to meet its collection targets.

Despite a 6.66 percent collection growth in December, the revenue administration's collection still fell short of its target by Tk 58,000 crore or 25 percent in the first half of FY25, with its end goal set at Tk 480,000 crore for the year.

Taxmen and policy analysts point the finger at the political and economic shakeup stemming from the ouster of the Awami League government following a mass uprising on August 5 last year.

"The lower revenue growth is closely linked to the current economic slowdown, which also expedites the NBR's inefficiencies," said MA Razzaque, research director of the Policy Research Institute (PRI) of Bangladesh, a local think tank.

Prolonged inefficiencies, reduced imports, higher exemptions and inflationary pressure also contributed

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WB to give another \$30m for power transmission

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The World Bank (WB) will provide Bangladesh with an additional \$30 million to help the country build up its power transmission network in eastern regions.

The funds will be used for an ongoing project that aims to enhance and strengthen power transmission in greater Cumilla, Chattogram and Noakhali, according to the Economic Relations Division (ERD).

ERD Secretary Md Shahriar Kader Siddiqi and WB Acting Country Director Gayle Martin yesterday signed an agreement to this end, said a press release from the finance ministry division tasked with boosting domestic socio-economic development.

Power Grid Bangladesh PLC is implementing the project aiming to ensure a reliable supply and meet the growing demand for electricity in Cumilla, Chattogram and Noakhali, it added.

The initial financing agreement for this project, amounting to \$450.64 million, was signed on April 10, 2018, under the Scale Up Facility of the WB.

However, \$50 million was subtracted from the total funds and repurposed



If potatoes continue to be imported, prices will fall further, creating a disastrous situation for farmers, according to the Bangladesh Cold Storage Association.

PHOTO: STAR

Cold storage owners call to suspend potato imports

STAR BUSINESS REPORT

The Bangladesh Cold Storage Association (BCSA) has requested the government to suspend potato imports to protect the country's farmers from a financial disaster.

In a letter addressed to the commerce ministry dated January 22, BCSA President Mostofa Azad Chowdhury Babu said that land under potato

cultivation increased significantly in 2025, rising by approximately 50 percent year-on-year.

As such, it is anticipated that the production of potatoes will reach 1.20 crore tonnes in 2025.

The letter also mentioned that potatoes are being sold for Tk 13 to Tk 14 per kilogramme (kg) at present even though the production cost for farmers is Tk 18 to Tk 20 per kg.

In this situation, if the tuber is imported, prices will fall further, creating a disastrous situation for potato farmers, the letter said, adding that it would also make farmers reluctant to cultivate potato in the future.

This follows a gazette issued on Monday, through which the National Board of Revenue decided to facilitate potato imports, specifically from Nepal

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BB to implement int'l reporting standards by 2027

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The Bangladesh Bank issued a roadmap for scheduled banks to implement an expected credit loss (ECL) methodology-based provisioning system that aligns with international financial reporting standards by 2027.

Analysts had long called for the adoption of the latest 'IFRS 9' while the International Monetary Fund also attached the adoption of the latest standards as a condition for its \$4.7 billion loan programme to the country.

Analysts opined that following the latest standards would ensure that banks' financial reports provide a clearer picture of their health, adding that some may initially see a plunge in profits.

The central bank issued the circular yesterday, adding that banks are presently following a rule-based loan classification and provisioning system.

"As a part of our ongoing efforts to enhance the risk management capabilities of banks and increase the transparency of the financial reporting, the Bangladesh Bank decided to adopt an ECL-based loan classification and provisioning system for banks."

This move means that banks will be required to analyse how current and future economic conditions impact the amount of loss.

Within the IFRS 9 framework, credit risk assessments must follow a forward-looking approach, which is primarily designed to mitigate procyclicality, the central bank said. When evaluating ECLs, it is essential to consider macroeconomic and financial factors, anticipated risks, and associated dynamics.

Procyclicality refers to the tendency of risk measurements to overestimate risk during a crisis and underestimate it during stable times.

Anis A Khan, a veteran of the banking industry, said it is necessary to adopt international standards although it may reduce the profits of some banks.

"Their profits will definitely fall since they will have to keep a higher amount of provision under the new system. Alongside that, they will have to keep more capital."

Although the banking sector remains in a fragile state,

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STOCKS	
DSEX ▼	CASPI ▼
0.21% 5,166.53	0.48% 14,449.05

COMMODITIES	
Gold ▼ \$2,754.04 (per ounce)	Oil ▼ \$75.36 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.15% 76,520.38	▲ 0.79% 39,958.87	▲ 0.67% 3,806.57	▲ 0.51% 3,230.16

Denmark's IFU to invest \$12.5m in local pharmacy chain

STAR BUSINESS REPORT

Denmark's IFU will invest \$12.5 million in pharmacy chain AKS Khan Pharmaceuticals for the expansion of the latter's network, targeting to cater to 8 million patients annually within three years.

The investment into this concern of AKS Khan Holdings will come through the Investment Fund for Developing Countries (IFU), a development finance institution of the Danish government.

AK Shamsuddin Khan, director of AK Khan & Company Limited, and Lars Bo Bertram, chief executive officer of the IFU, signed an agreement in this regard at Radisson Blu Water Garden Hotel, Dhaka, on Wednesday night.

Addressing the signing, Christian Brix Møller, Danish ambassador to Bangladesh, said the investment, made during a transitional period in Bangladesh, signals confidence in the country's progress and the interim government's efforts.

Samanzar S Khan, managing director of AKS Khan Holdings, said they aim to establish a network of 100 pharmacies and diagnostic centres.

"Through this expansion, we aspire to reach 8 million people annually in the coming years, a significant leap from the 1.5 million lives we currently touch each year," she said.

Since 1990, the IFU has invested €300 million in different projects, such as a fertiliser company and a water treatment facility in Dhaka, said Lars Bo Bertram, CEO of the IFU.

Bertram said the IFU focuses on impact investments that drive economic and social development while ensuring financial returns.

"Access to quality, authentic medicine is crucial to treating and curing diseases and ensuring quality of life for millions of people suffering from chronic diseases across Bangladesh," said AK Shamsuddin Khan, director of AK Khan & Company Limited.

Christian Brix Møller, Danish ambassador to Bangladesh, said the investment, made during a transitional period in Bangladesh, signals confidence in the country's progress and the interim government's efforts