Corruption still unbridled for businesses

Says MI Cement vice-chairman in an interview with The Daily Star

JAGARAN CHAKMA and SOHEL PARVEZ

Although the interim government is focusing on reforms and new measures, corruption remains a major concern for businesses. Instead of waning, demands for undue payments by public officials have increased in some cases, said a top industrialist.

"We don't see any restraint," said Md Alamgir Kabir, vice-chairman of MI Cement Factory, one of the leading cement manufacturers in the local market, in an interview with The Daily Star.

Recalling the period after an army-led caretaker government took power in January 2007, he said that at the time, many public officials were hesitant to seek bribes for providing services.

After the ousting of Sheikh Hasina's government in a mass uprising in early August, the interim government, led by Nobel laureate Muhammad Yunus, took charge, raising expectations of change on many fronts, including reducing corruption, which had become pervasive during Hasina's 15-year rule.

Kabir, also the president of the Bangladesh Cement Manufacturers Association (BCMA), said that while the government's investment promotion agencies boast of One-Stop Service (OSS), the initiative has yet to reduce costs and delays for businesses.

Firms still have to visit public offices for clearances and permits, often paying more than the officially determined fees to speed up services, said the businessman.

"We have to term these payments as miscellaneous costs in our balance sheets. And in many cases, these costs have not declined," he said.

"While law enforcement appears stricter on paper, many issues are not coming out."

Acquiring land for industrial purposes remains a bureaucratic nightmare, despite the promise of hassle-free services, Kabir said.

In the interview, the industrialist—whose company markets the construction raw material under the brand Crown Cement—also talked about the overall economic and business climate, the impact of high-interest rates on bank loans, and the current state of the cement industry.

Md Alamgir Kabir

KEY INSIGHTS FROM THE INTERVIEW

Corruption remains a major concern for businesses even after Aug changeover	High bank interest rates and political instability hinder business growth
Undue payment demands by public officials have increased in some cases	Stock market failures force industries to rely on costly bank loans
One Stop Service (OSS) has failed to reduce business costs and time	Cement industry faces shrinking profit margins despite rebounding demand
Industrial land acquisition remains a bureaucratic nightmare	Slowdown in megaprojects affects construction sector growth

He described the current business environment as "far from favourable," citing high borrowing costs and political uncertainty as key concerns.

"High bank interest rates and political instability make it nearly impossible for businesses to thrive."

In the past, Kabir said, businesses used to raise capital from the stock market to avoid bank borrowing at high-interest rates.

"But that option has shrunk," he said, adding that the capital market has failed to become a viable funding source due to poor management and governance.

"The capital market is now at its worst state, with a significant decline in public participation. As a result, industries are forced to rely on banks, which are profiting while industries struggle."

He pointed out that one bank made over Tk 2,200 crore in profit last year, whereas even after investing thousands of crores of taka, industries rarely get such high returns.

The president of the cement manufacturers' association said this situation might not have arisen if businesses had access to a vibrant alternative funding source.

Apart from high borrowing costs, he said that political instability is another major hurdle for businesses.

"Businesses need a stable environment, but somehow this has not been the case."

"An elected, stable government is needed to remove uncertainty and bring stability," said the businessman.

Kabir also talked about tax policies, particularly in the cement sector. He said that manufacturers must pay a portion of their revenue in taxes even if they incur losses.

Besides, taxes paid on imported raw materials are not refunded, even when firms suffer losses.

"It shouldn't be," he said.

The entrepreneur, who has been in business for nearly four decades, said that tax policy formulation should be separate from tax administration.

Currently, the National Board of Revenue (NBR) frames tax policies based on revenue targets set by the government.

Kabir suggested that a separate department should formulate tax policies to ensure fairness. Instead of focusing on businesses that comply with tax regulations, he said, the government should address tax evasion more effectively.

He also criticised policy inconsistencies, pointing out that some industries, such as readymade garments, receive more support than others, like local manufacturers producing import substitutes such as cement.

Local industries save foreign currency, he said, yet they do not receive enough support to grow.

The leader of local cement makers said the country's cement production capacity is 92 lakh tonnes, while monthly consumption is only 37 lakh tonnes.

The utilisation rate is about 44-45 percent, and the industry has declined in recent years, he said.

However, there was a turnaround in January this year, when the sector recorded a historic high of 38 lakh tonnes in sales, driven mainly by private-sector demand.

Rural construction has increased, likely due to higher remittance inflows and changing housing trends, according to Kabir.

Despite this growth, cement factories are still grappling with reduced profit margins, he said, citing rising bank interest rates, electricity and gas costs, transportation expenses, and labour costs as major issues.

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Bangladesh's bad loan saga

MAMUN RASHID

Non-performing loans (NPLs) in Bangladesh soared by Tk 1.34 lakh crore in the second half of 2024, reaching Tk 3.45 lakh crore by December.

Governor Ahsan Mansur mentioned that after the fall of the Awami League government in August, previously concealed defaulted loans began to come to light.

The current volume of defaulted loans accounts for 20.2% of the banking sector's total loans. There is every hunch that the exact figure may be much higher if we apply qualitative judgement here.

NPLs stood at Tk 2.11 lakh crore at the end of June 2024, accounting for 12.56% of total loans, when the Awami League was in power. According to Bangladesh Bank (BB) data, in December 2023, NPLs stood at Tk 1.45 lakh crore, accounting for 9% of the total bank loans at that time.

The surge in bad loans follows the end of Sheikh Hasina's 15-year-plus rule that allowed banks to conceal the real picture of bad loans through various "window dressing" efforts.

The central bank governor also said the rise in NPLs is largely due to the end of a long-standing lack of transparency in reporting bad loans and recent changes in loan classification policies.

So what is changing now? Previously, loans were classified as overdue after 270 days, but the timeframe has now been reduced to 180 days. Furthermore, starting from April 2025, loans will be classified as non-performing within just 90 days.

As of December 2024, at least 42% of total loans in state-owned banks were classified as non-performing, while 15% of total loans in private banks were non-performing, said the governor, warning that with this new strict policy, NPLs are expected to rise even further in the coming months.

Early February, the BB announced its monetary policy for the January-June period of the ongoing fiscal year. According to its monetary policy statement, NPLs in the banking sector are expected to exceed 30% by June this year, if not more.

Factors contributing to the rise in NPLs include systemic weaknesses, regulatory gaps, and exploitative practices such as money laundering and illicit capital flight, the statement stated.

In the last six months, both new loan disbursement and loan renewals have decreased in banks, while the amount of defaulted loans has increased. Additionally, many loans have defaulted due to the reduction in the overdue period for term loans.

Analysts also attribute the NPL increase to the reinstatement of international standards for defining NPLs. These stringent measures, which were suspended during the pandemic in 2020, have provided a more accurate, though sobering, assessment of banking health.

The increase in default loans is due to several factors. One key reason is that banks previously classified loans as regular for many influential customers whose loans were actually in default. Now, those loans are being classified as defaulted again.

Some loans have become defaulted because the central bank has aligned its loan classification process with international standards.

It is also true that many borrowers couldn't repay their loans due to student protests and internet outages in July and August last year. The SME sector has been severely affected, leading many customers to default. Additionally, many plants have struggled to operate properly due to insufficient gas and electricity supply. Prolonged unrest in RMG belts could be another reason. Besides, massive depreciation of taka against the greenback also impacted the importing clients very badly.

However, there is no denying that the true extent of defaulted loans must be revealed to gain proper visibility. Only then can appropriate reform measures be taken.

The writer is the chairman of Financial Excellence Limited

Rupee falls for fifth month in February

REUTERS, *Mumbai*

The Indian rupee logged its fifth straight monthly fall in February, weighed down by foreign portfolio outflows and increased hedging in the onshore and the non-deliverable forward market.

The rupee ended at 87.4950 against the US dollar compared with 87.20 in the previous session. The domestic unit fell 1 percent in February, and slipped to an all-time low of 87.95 during the month.

However, periodic intervention by the Reserve Bank of India (RBI) largely curbed one-way moves on the domestic unit and prevented speculators from betting against the rupee.

The RBI conducted a three-year dollar-rupee buy-sell swap auction on Friday, drawing bids 1.6 times the $10 billion notified amount, following a $5 billion six-month swap in January.

India's sluggish economic growth, uncertainty over US President Donald Trump's tariffs and rising possibility of a global trade war have hit foreign investors' demand for Indian financial assets.

Foreign investors have net sold nearly $3.5 billion of local stocks so far in February, taking the total outflows to about $12.5 billion in 2025.

The benchmark BSE Sensex and the broader NSE Nifty 50 fell 5.6 percent and 5.9 percent, respectively, during the month.

"The outlook continues to favour dollar bulls, supported by sustained demand from importers and continued foreign portfolio investor outflows," said Dilip Parmar, a foreign exchange research analyst at HDFC Securities.

Dwindling trade threatens future of Banglabandha land port

KONGKON KARMAKER

Once a thriving regional trade hub, Banglabandha land port—Bangladesh's only quadripartite port linking India, Nepal, Bhutan, and Bangladesh—is facing a severe downturn due to its heavy reliance on stone imports.

Trade has plunged following a halt in Bhutanese stone shipments and reduced imports from India, leaving the port struggling to sustain operations.

The crisis has slashed government revenue and left hundreds of workers jobless, threatening thousands of livelihoods.

Once a centre for diverse trade, the port gradually became dependent on Bhutanese stone over the years.

However, a recent dispute over slot booking charges imposed by Indian authorities has disrupted imports, exposing the port's vulnerability.

PHOTO: STAR/FILE

Banglabandha is the only land port that links India, Nepal, Bhutan and Bangladesh.

Bhutanese stone, favoured for its quality and duty exemptions, stopped arriving in January after West Bengal authorities imposed a slot booking charge of Tk 3,000-5,000 per truck.

Protests from exporters and importers failed to prevent supply chain disruptions, forcing businesses to turn to costlier, lower-quality Indian stone.

Port officials report a drastic drop in daily stone-laden trucks—from 300-400 to just 60-70—causing revenue to plummet to Tk 91 crore in January.

The construction sector is also feeling the pinch, as Indian stone costs $3-4 more per tonne, inflating infrastructure expenses.

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Investors unnerved by heated Trump-Zelensky Oval Office showdown

REUTERS

Investors were stunned on Friday after Ukrainian President Volodymyr Zelenskiy's meeting with US President Donald Trump ended in disaster, adding uncertainty to financial markets already jittery due to weakening economic data and volatility around US trade policies.

The two leaders traded verbal blows before the world's media at the White House, pushing markets to react with a risk-off bid for safe-haven Treasuries as the public spat added uncertainty over the prospect of a peace deal with Russia.

"It's disturbing," said Jack McIntyre, portfolio manager at Brandywine Global. "It looked like we were moving towards progress on a peace deal or a ceasefire between Russia and Ukraine and maybe now that gets to come on hold, so you have to price in a little bit more uncertainty," he said.

Zelenskiy's US visit was aimed to keep the US from aligning with Russian President Vladimir Putin, who launched the Ukraine invasion three years ago. Instead, he clashed with Trump and Vice President JD Vance over the war, highlighting Kyiv's struggle to retain US backing. Trump later accused Zelenskiy of disrespecting the United States.

Benchmark 10-year Treasury yields, which move inversely to prices, declined after the public confrontation and were last seen at 4.23 percent from about 4.27 percent earlier on Friday.

European stock futures fell while Wall Street climbed in choppy trading. The Dax and CAC40 futures fell 0.6 percent and the Eurostoxx 50 futures dropped as much as 1.4 percent and were last down 0.6 percent. The S&P 500 index was last up 0.58 percent. The euro fell by as much as 0.37 percent to a two-week low of $1.036, before paring some of that decline to trade at $1.0366.

The heated confrontation came amid expectations Trump will soon impose punitive tariffs on key US trade partners, which has raised investor fears of a spike in inflation and a hit to economic growth.

He said on Thursday his proposed 25 percent tariffs on Mexican and Canadian goods will take effect on March 4, along with an extra 10 percent duty on Chinese imports.

US President Donald Trump meets with Ukrainian President Volodymyr Zelenskiy at the White House in Washington, DC on February 28. PHOTO: REUTERS

"The unconventional nature of (the exchange) raised the issue for investors of how unpredictable and uncertain the Trump administration can be," said Rick Meckler, a partner at Cherry Lane Investments.

"There are so many things happening in this government at once - all of which are to some extent groundbreaking - and this just added one more feature to it. So that's where the market (took a) leg down a little bit, thinking this is just a sign of a lack of predictability and more traditional approaches to diplomacy," he said.

Investors were already nervous on Friday after a report closely tracked by the Federal Reserve showed consumer spending slowed last month. This came after recent signs of weak consumer confidence, sluggish manufacturing, and disappointing retail and home sales, which have fueled a bond rally in recent weeks.

Some investors remained hopeful cooler heads will prevail, however.

"Apart from the theatrics, not much changed today from a market standpoint. The good news is that Trump didn't walk away from the deal completely," said Jamie Cox, managing partner at Harris Financial Group, referring to an agreement on rare earth minerals between the US and Ukraine that was supposed to be signed on Friday as part of a peace deal with Russia.

"Markets will rocket higher if a deal gets struck because anything constructive would be welcomed after that exchange."