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Star BUSINESS

Is merger of Islamic banks a viable solution?

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While Islamic banking is expanding despite the governance problems of some lenders led by the controversial S Alam Group, Bangladesh Bank Governor Ahsan H Mansur recently signalled that the government may create two Islamic banks by merging all existing ones.

He also stated that the country's Islamic banking sector would be completely restructured as most of the existing Islamic banks are currently in trouble.

Mansur shared the plan as the interim government has already approved the Bank Resolution Ordinance, 2025, with weak banks likely to merge or have their problems resolved under the ordinance.

Shariah-based banking has been gaining popularity in Bangladesh – even more so than conventional banking – but the sector faced an image crisis after S Alam Group took over several Islamic banks one after another.

In recent years, Standard Bank and Global Islami Bank converted from conventional to Islamic banking due to its growing popularity. Many conventional banks remain interested in converting to Islamic banks even though they already offer Islamic banking services through dedicated branches or windows.

Currently, there are 10 full-fledged Islamic banks in the country: Islami Bank Bangladesh, Al-Arafah Islami Bank, Social Islami Bank, Standard Bank, EXIM Bank, First Security Islami Bank, Shahjalal Islami Bank, Union Bank, Global Islami Bank, and ICB Islamic Bank.

At the end of last year, the total deposits of these 10 banks stood at Tk 385,250 crore while their total investments stood at Tk 486,500 crore.

Following the political changeover on August 5 last year, the central bank removed the family members of S Alam Group owner Mohammed Saiful Alam from six full-fledged Islamic banks that READ MORE ON B3

IMF talks end without deal on next loan tranches

STAR BUSINESS REPORT

Talks between the International Monetary Fund (IMF) and Bangladesh have ended in Washington, without any agreement over the release of the next fourth and fifth tranches of a $4.7 billion loan package.

"Good progress is being made, but I won't put a timeline on when we can reach agreement," said Krishna Srinivasan, director of the IMF's Asia and Pacific Department, during a press briefing held on the sidelines of the World Bank-IMF Spring Meetings.

"We have not reached a consensus but we are not far away," Bangladesh Bank Governor Ahsan H Mansur told reporters after meeting IMF officials on April 25 regarding the loan programme.

Led by Finance Adviser Salehuddin Ahmed, the Bangladesh delegation held a series of meetings with IMF representatives in Washington.

Prior to the delegation's visit, an IMF team concluded a two-week mission to Dhaka on April 17 without a staff-level agreement. Disagreements persisted over the flexibility of the exchange rate and measures to improve the country's revenue-to-GDP ratio.

During the mission, IMF team chief Chris Papageorgiou said discussions were ongoing with the objective of reaching a staff-level agreement in the near term, possibly during the Spring Meetings in Washington.

An official of the Bangladesh delegation in the US said that, while progress had been made on measures to increase revenue collection, disagreements remained over the issue of exchange rate flexibility.

Speaking at the press briefing, Srinivasan said that two key areas, exchange rate reform and greater flexibility, still require further discussions. "On exchange rate reform, the IMF has long called for greater flexibility as part of its supported programme in Bangladesh," he said.

Srinivasan added that the IMF needed to see "more action and a clear timeframe" to ensure that policies were being properly implemented.

He also highlighted revenue mobilisation, describing it as "on the lower side' for Bangladesh, and essential for funding development priorities and investment.

"We are under no compulsion to accept all their terms, as we are not in a situation like Sri Lanka or Pakistan

Ahsan H Mansur
Governor of Bangladesh Bank

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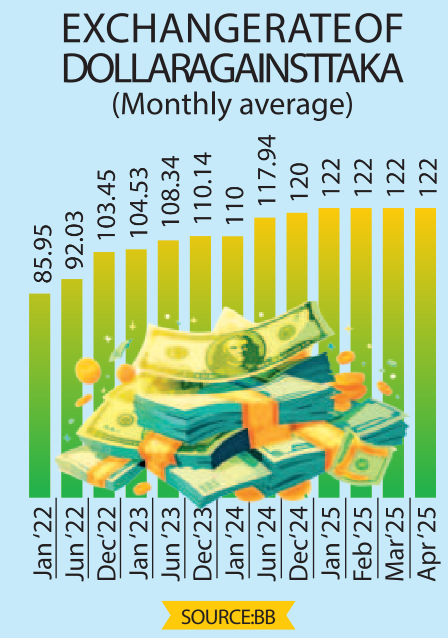
Director of Asia and Pacific Department of IMF



"In addition to these areas, there are some questions about the health of the financial sector," added the IMF official.

Central bank Governor Mansur said, "We have reached consensus on the revenue issue. However, on the exchange rate issue, we think there is no problem. The market is stable. We have not sold a single dollar, nor have we intervened."

He made the comments in a media briefing posted on Facebook by Golam Mortoza, press minister at Bangladesh embassy in the United States.

"If we follow the IMF and the exchange rate becomes unstable, whether that is acceptable is our question," Mansur said.

"We will accept those conditions which are suitable for us. We are under no compulsion to accept all their terms, as we are not in a situation like Sri Lanka or Pakistan," he added.

"Six months ago, perhaps we were closer to that, but today our circumstances are much improved," said the Bangladesh Bank governor.

During the Washington meetings, the IMF proposed that Bangladesh maintain the crawling peg mechanism for Taka-dollar exchange rates, under which the central bank would intervene if the exchange rate fluctuated by more than 8 to 10 percent.

However, the Bangladesh Bank argued it must retain tighter control over the exchange market, citing manipulation and stubbornly high high inflation.

Officials said they do not think the time is right to introduce greater exchange rate flexibility right now.

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Delay in polls to hamper investment

Economist says

STAR BUSINESS REPORT

Bangladesh may face political uncertainty and sluggish private investment unless the parliamentary election takes place within the promised timeframe, a leading economist warned yesterday.

Political stability is vital for attracting investment, said Prof Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue (CPD).

He was addressing a debate organised by Debate for Democracy (DFD) at Bangladesh Film Development Corporation in Dhaka on problems and prospects of foreign investment following the Bangladesh Investment Summit 2025, which took place earlier this month.

The interim government, which took the oath of office in August 2024 following the ouster of Sheikh Hasina's government in a popular uprising, had earlier announced that the election would be held between December this year and June next year.

There was not that much interest regarding making investments in Bangladesh even though the summit presented the prospects, said Rahman.

It is not possible for Bangladesh to attain the level of development now

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NEW MOORING CONTAINER TERMINAL

Concerns grow over appointing foreign operator

Local private firm Saif Powertec has been operating two of the terminal's jetties on an ad hoc basis since May 2007. PHOTO: STAR/FILE

DWAIPAYAN BARUA

Concerns are increasingly being voiced over the Chattogram port's largest terminal, New Mooring Container Terminal (NCT), being leased out to a foreign operator, as the interim government furthers the initiative undertaken by the previous Awami League government.

Port workers and several political parties have been demonstrating against the move, raising concerns that handing over the profitable, fully operational terminal to a foreign company would not be economically viable.

Costing Tk 2,000 crore, the 950-metre-long terminal was constructed by the Chittagong Port Authority (CPA) at the Chattogram port, some 256 kilometres south of the capital Dhaka. The work was completed in 2007.

The NCT is equipped with five jetties — four for ocean-going container vessels and one for smaller container ships that ply inland routes to connect with the Pangaon port in Dhaka.

Of the port's 18 quayside gantry cranes, an important container-handling equipment, the NCT alone has 14.

Local private firm Saif Powertec Ltd has been operating two of the terminal's jetties (numbered two and three) on an ad hoc basis since May 2007.

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Vehicle sales plunged in 2024

STAR BUSINESS REPORT

The vehicle market in Bangladesh contracted to a 10-year low in 2024 as imports and sales declined sharply due to rising costs, foreign exchange constraints, and people's falling purchasing power, according to industry people.

Citing official statistics, the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) said around 3.08 lakh units were registered last year.

This marked the steepest decline since the Covid-19 pandemic, when roughly 3.8 lakh vehicles were registered with the Bangladesh Road Transport Authority (BRTA), it added.

"Our business environment has become extremely challenging," said Barvida President Abdul Haque.

"Reconditioned cars historically served the middle class. But with prices soaring and incomes stagnating, affordability has collapsed," he added while pointing out how vehicle imports have shrivelled compared to previous years.

Haque was speaking at a press conference held at the FARS Hotel and Resorts in Paltan, Dhaka yesterday.

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REASONS BEHIND LOWER SALES
- Rising costs
- High dollar prices
- High inflation

BARVIDA SAYS
- Registration costs of used cars often exceed those of new cars
- Customs valuation is discriminatory
- Duty should be lowered on hybrid cars and microbuses in next budget
- A national policy is needed to regulate electric and hybrid vehicles
- Without reforms, Bangladesh will miss green goals