

star BUSINESS



BB unlikely to cut policy rate now

Says governor, views exchange rate stability as a key success

MD MEHEDI HASAN and SOHEL PARVEZ

The Bangladesh Bank (BB) is unlikely to reduce the policy or repo rate for the second half of this year as inflation continues to remain stubbornly high, according to the central bank governor. The central bank hiked the policy rate, at which it lends to commercial banks, in October last year to 10 percent. This was the 11th time since May 2022 to make borrowing expensive and contain inflation, which has been above 9 percent for more than two years.

The BB kept the policy rate unchanged in its monetary policy for the January-June period of this year.

As it is going to announce the monetary policy for the July-December period by the end of this month, BB Governor Ahsan H Mansur said there is no such reason for reducing the interest rate.

"But there will be indications whether it is possible for the rate to be brought down soon; when we can expect the policy rate to fall, or how many days we may have to wait for it to go down," he said in an interview with The Daily Star



Ahsan H Mansur

IPDC ডিপোজিট | ১৬৫১৯

yesterday.

The BB, in its monetary policy for the first half of this year, expected that inflation would decline to within a 7-8 percent range by end-June 2025 as the consumer price index had been easing gradually since November last, when it was 11.38 percent.

As of May, inflation on a point-to-point basis was 9.05 percent. The June inflation estimate is yet to be released by the Bangladesh Bureau of Statistics (BBS).

However, annual average inflation stood at 10.13 percent, much higher than the BB's target.

Mansur, a former official of the International Monetary Fund (IMF), said price data for June might be

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Islamic banks' deposit, investment growth slows to 4-year low

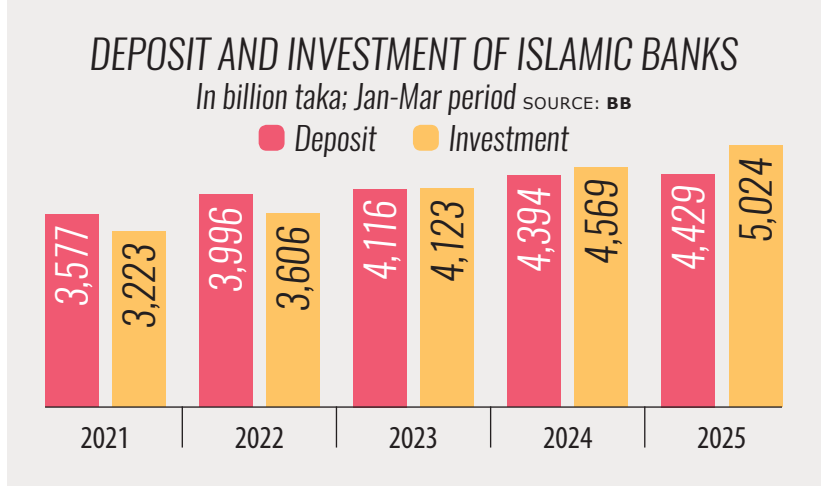
SUKANTA HALDER

Deposit and investment growth in the country's Islamic banks fell to a four-year low in the first quarter of 2025, apparently driven by rising public concerns over the financial stability and governance practices of the commercial lenders.

Industry people say customer confidence in Shariah-based banks has waned due to growing controversies, financial scandals, and issues over transparency and governance standards.

There are ten full-fledged Islamic banks in Bangladesh. Before the political changeover in August last year, many of the banks were controlled by a few big and politically influential business groups.

Following the changeover, as



political influence lost its grip on the industry, long-buried toxic assets began to surface, exposing the fragile financial health of many lenders. Although the boards of these

banks were reshuffled subsequently, industry insiders say rebuilding trust will take time.

The year-on-year deposit growth rate of Islamic banks was 11.71 percent in the first quarter of 2022, according to Bangladesh Bank (BB) data.

In the first quarter of 2023, it dropped significantly to 3 percent

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Bangladesh to import over 1m tonnes of fertilisers from Morocco

STAR BUSINESS DESK

Bangladesh has signed an agreement with Moroccan company OCP Nutrigroup to import 6.30 lakh tonnes of Triple Super Phosphate (TSP) and 4.8 lakh tonnes of Diammonium Phosphate (DAP) fertilisers from Morocco in the financial year 2025-26.

Md Ruhul Amin Khan, chairman of the Bangladesh Agricultural Development Corporation (BADC), and a representative of the Moroccan company OCP Nutrigroup signed an agreement in this regard in Casablanca recently, according to a press release.

This initiative is part of BADC's continued efforts to ensure the availability of high-quality non-urea fertilisers in support of safe and sustainable agricultural production across the country.

The corporation imports such fertilisers under state-level agreements with various nations.

Officials from the Ministry of Agriculture, along with representatives from both countries, were also present at the signing ceremony.



Md Ruhul Amin Khan, chairman of Bangladesh Agricultural Development Corporation, and a representative of the Moroccan company OCP Nutrigroup signed the agreement in Casablanca recently. PHOTO: BADC

City Bank holds BAMLCO Conference 2025



AFM Shahinul Islam, head of the Bangladesh Financial Intelligence Unit, and Mashrur Arefin, managing director and CEO of City Bank PLC, pose for group photographs with officials of the bank and guests of the conference titled "BAMLCO Conference 2025" at a hotel in Dhaka recently. PHOTO: CITY BANK

STAR BUSINESS DESK

City Bank PLC recently organised its "Branch Anti-Money Laundering Compliance Officers (BAMLCO) Conference 2025" at a hotel in Dhaka, under the theme "Strengthening AML Practices for a Safer Financial Future".

The event brought together over 200 BAMLCOs from across the country, according to a press release issued by the bank. AFM Shahinul Islam, head of the Bangladesh Financial Intelligence Unit (BFIU), attended the conference as the chief guest.

During a series of insightful sessions, Ruman Ahamed, additional director of BFIU, and Sudipta Ghosh, deputy director, addressed the gathering on the importance of adhering to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) guidelines.

They also shared various strategies for the prevention of financial crime.

Mashrur Arefin, managing director and CEO of City Bank PLC; Mahia Juned, additional managing director, chief operating officer and CAMLCO; and Kazi Azizur Rahman, additional managing director and chief information officer; were also present, along with other senior officials of the bank.

Hotel Sarina offers discounts for Community Bank cardholders

STAR BUSINESS DESK

Community Bank Bangladesh PLC has entered into a strategic business agreement with Hotel Sarina to provide exclusive benefits to the bank's credit cardholders.

Kimiwa Saddat, managing director (current charge) of the bank, and Channa Ekanayake, general manager of the hotel, signed the agreement at the bank's head office in Dhaka recently, according to a press release.

Under this partnership, Community Bank credit cardholders will enjoy a

wide range of privileges at Hotel Sarina, including special discounts on dining, accommodation, and services, as well as a year-round "Buy One Get One Free" offer on select offerings.

Md Ariful Islam, head of business and head of corporate banking (branch) at the bank; Zahir Ahmed, head of cards; Md Mamun Ur Rahman, head of ADC and head of the MD's coordination team; and Syed Mehran Hussain, marketing director of the hotel, were also present, along with other senior officials from both organisations.



Kimiwa Saddat, managing director (current charge) of Community Bank Bangladesh PLC, and Channa Ekanayake, general manager of Hotel Sarina, pose for photographs after signing the agreement at the bank's head office in Dhaka recently. PHOTO: COMMUNITY BANK BANGLADESH

Le Reve opens 26th outlet in Dhanmondi's Science Lab



Monnujan Nargis, chief executive officer of Le Reve, poses for group photographs during the opening of the 26th outlet of the lifestyle brand in the Science Lab area of Dhanmondi-2, Dhaka recently. PHOTO: REVE GROUP

STAR BUSINESS DESK

Fashion and lifestyle brand Le Reve has recently opened its 26th outlet in the Science Lab area of Dhanmondi-2, Dhaka.

The new store showcases Le Reve's latest Summer Collection, the Rainy Day Curation,

and the brand-exclusive line Nargisus by Le Reve. Each section presents a carefully curated blend of comfort, seasonal appeal, and contemporary fashion across collections for women, men, teenagers and children.

M Rezaul Hassan, founder chairman of REVE Group, inaugurated the outlet as the

chief guest, according to a press release.

On the opening day, customers enjoyed a 30 percent discount on purchases of Tk 3,000 or more. Additionally, from July 4 to 6, shoppers will receive a 26 percent discount on single invoices of Tk 5,000 or above.

Commenting on the launch, Monnujan Nargis, chief executive officer of Le Reve, said: "This new store in Dhanmondi was inspired by the affection and growing demand of our customers. Spread over three spacious floors, the new outlet is not only architecturally striking from the outside, but also offers an inviting, inspirational, and stylish experience the moment you step inside."

She continued, "We aspired to create a space where shopping is more than just a transaction—something joyful and expressive that harmonises fashion with lifestyle."

"For us, clothing is not merely about fashion; it is a powerful means of self-expression and confidence. We always strive to dzeign pieces that empower individuals to embrace their authentic selves. Every corner of this new store embodies that philosophy," she added.



Md Jashim Uddin, chairman of Bengal Commercial Bank PLC, presides over the bank's 5th annual general meeting, which was held at a hotel in Dhaka recently. Ghulam Mohammed Alongir, vice-chairman; Tarik Morshed, managing director and CEO, and KM Awlad Hossain, additional managing director and CBO, joined the meeting, along with other directors and sponsor shareholders of the bank. The shareholders approved the financial statements, audited balance sheet, profit and loss accounts, and declared dividend for the year ending on December 31, 2024. PHOTO: BENGAL COMMERCIAL BANK

Singapore penalises Citi, UBS, others for money laundering breaches

AFP, Singapore

Singapore's central bank said Friday it has penalised several top global financial institutions, including Citibank and UBS, for breaches linked to the island-state's biggest money laundering case.

Ten people originally from China but holding various nationalities were jailed in Singapore in the Sg\$3.0 billion (US\$2.4 billion) case.

They used Singapore's financial system to launder illicit proceeds from gambling and scams, with observers saying the case hurt Singapore's reputation as a global financial centre.

Following their arrests in 2023, the Monetary Authority of Singapore (MAS) launched an investigation into financial institutions that had dealings with the group as customers.

Concluding its probe, the MAS on Friday imposed penalties totalling Sg\$27.45 million on nine financial institutions for breaches in anti-money laundering safeguards.

"The breaches arose out of poor or inconsistent implementation of these (anti-money laundering) policies and controls," the authority said in a statement.

The shortcomings included inadequate customer risk assessment and failure to detect or follow up on certain "red flags" detected in documents that should have cast doubt on some of their clients' sources of wealth, according to the MAS.

They used Singapore's financial system to launder illicit proceeds from gambling and scams

Eight of the institutions "failed to adequately review relevant transactions flagged as suspicious by their own systems", the regulator added.

"The relevant transactions were unusually large, inconsistent with the customers' profiles or showed unusual patterns."

Living in Singapore's poshest neighbourhoods, the convicted money launderers held assets, including luxury cars, jewellery, designer goods, cryptocurrency and cash – all seized by police.

Those punished by MAS include local lender United Overseas Bank (UOB), which was hit with a Sg\$5.6 million penalty.

UOB said Friday "we acknowledge and accept MAS' findings" and had taken measures over the past two years to address shortcomings.

The Singapore branch of Credit Suisse, which collapsed in March 2023 and was acquired by rival UBS, was given a Sg\$5.8 million penalty.

UBS AG's Singapore branch was meanwhile handed a Sg\$3.0 million penalty, with the bank saying it would "continue to work together closely" with regulators. Citi Singapore said it was "committed to ensuring the highest standard of governance and controls", after Citibank N.A. Singapore and Citibank Singapore Ltd were hit with a Sg\$2.6 million penalty.

The bank said it has also strengthened its "client onboarding and monitoring processes" and will continue to work closely with the authorities.

The Singapore branch of Switzerland's Bank Julius Baer was also penalised Sg\$2.4 million, saying Friday it had taken "concrete steps to strengthen our processes and anti-money laundering framework".

Al-Arafah Islami Bank opens sub-branch in Maijdee



Mohd Rafat Ullah Khan, managing director (current charge) of Al-Arafah Islami Bank PLC, inaugurates the sub-branch of the bank at Maijdee Bazar in Noakhali recently. PHOTO: AL-ARAFAH ISLAMI BANK

STAR BUSINESS DESK

Al-Arafah Islami Bank PLC has recently inaugurated a new sub-branch at Maijdee Bazar in Noakhali.

According to a press release, this is the bank's 80th sub-branch. Mohd Rafat Ullah Khan, managing director (current charge) of the bank, inaugurated the sub-branch as the chief guest.

Commenting on the launch of the sub-branch, Khan said, "Al-Arafah Islami Bank is committed to delivering modern banking services along with Shariah-compliant, interest-free banking facilities directly to the doorsteps of its customers.

In line with that commitment, we have inaugurated this new sub-branch."

"Local residents and businessmen in this region will now be able to access a full range of modern banking services, including deposit and investment facilities, foreign trade, remittance services, and more," he added.

Mohammad Azam, head of the Sylhet zone of the bank, presided over the meeting.

Among others, Mohammed Hossain, deputy managing director of the bank; Tajul Islam, former headmaster of Arun Chandra High School; and Md Shahadat Hossain, general secretary of the Maijdee Bazar Business Association, were also present.

What is the state

FROM PAGE B4

Trump targeted both neighbors saying they did not do enough on illegal immigration and the flow of illicit drugs across borders.

But he eventually announced exemptions for goods entering his country under the USMCA, covering large swaths of products. Potash, used as fertilizer, got a lower rate as well.

OTHER THREATS

Beyond expansive tariffs on Chinese products, Trump ordered the closure of a

duty-free exemption for low-value parcels from the country. This adds to the cost of importing items like clothing and small electronics. Trump has also opened the door for 25 percent tariffs on goods from countries importing Venezuelan oil. He has threatened similar "secondary tariffs" involving Russian oil.

And he has ordered investigations into imports of copper, lumber, semiconductors, pharmaceuticals and critical minerals that could eventually bring new duties.

Online system launched for instant deposit of customs duties

STAR BUSINESS REPORT

A new system has been introduced allowing importers, exporters, and clearing and forwarding agents to deposit customs duties and taxes directly to the government treasury online using an automated challan (a-challan).

The a-challan system, launched at the start of the new fiscal year by the Finance Division and the National Board of Revenue (NBR), has been integrated with the customs' Asycuda World platform and the Finance Division's iBAS++ platform.

The integration enables making real-time deposits of customs duties via online banking, debit or credit cards, and mobile financial services like bKash, Nagad, and Rocket.

According to a press release from the NBR, customs duties can also be paid offline at 11,700 branches of 61 banks.

In contrast to the previous real-time gross settlement (RTGS)-based system, where payments took days to reach the treasury, the a-challan allows making instant deposits and faster release of goods.

The system was successfully piloted at Kamalapur inland container depot (ICD) and Custom House, Pangaon earlier.

On July 3, Custom House, Chattogram adopted the system, collecting over Tk 13 crore in duties in a single day.

From July 7, all other customs houses, including Customs House Dhaka, will begin using the system.

Stockbrokers can now use 75% of client fund interest

STAR BUSINESS REPORT

Stockbrokers and dealers can now use 75 percent of the interest income from the funds of their clients, according to the amended Securities and Exchange Rules, 2020.

But there is a condition — the brokers have to deposit 25 percent of the interest income every six months from the consolidated customers' account (CCA) into the Investors' Protection Fund of the respective exchanges.

The interest must be deposited within 30 days after the end of each period, according to a gazette on the amended rules published on July 3.

Such deposits in the protection fund shall be reported to the respective stock exchanges with intimation to the commission, incorporating details of the calculation and supporting documents within 10 days of the deposit being made.

Previously, brokers were supposed to divide interest income among their clients. Then the stockbrokers demanded permission to use the fund, as the process of calculating the interest payment is complex.

Before 2021, the stockbrokers could use the interest income from the CCA without sharing it with the clients.



Traders from Atghar Bazar of Pirojpur district's Nesarabad upazila are selling their homemade fish traps (locally known as "chai") made from bamboo. During the rainy season, people from the villages buy these fish traps for Tk 300 to Tk 400 each to catch fish from their ponds, canals and rivers. The photo was taken recently.

PHOTO: TITU DAS

Spinners demand withdrawal of 2% AIT on cotton import within a week

STAR BUSINESS REPORT

Textile millers have demanded the withdrawal of the 2 percent advance income tax (AIT) on cotton imports within one week, warning of possible factory closures otherwise.

Speaking at a press conference organised by the Bangladesh Textile Mills Association (BTMA) at the Gulshan Club in Dhaka yesterday, they pointed out that the tax was imposed in the new budget without consultation with the millers.

"The government should not do business everywhere, as the income of the government will in fact fall if the sector cannot perform well. At the end of the day, the impact of this 2 percent AIT is massive in business," BTMA President Showkat Aziz Russell said on the occasion.

Hossain Mehmood, chairman of the Bangladesh Terry Towel and Linen Manufacturers and Exporters Association, warned that the 2 percent AIT will increase costs by an additional 7 to 8 percent in the business and push the profit margin further down.

Amal Podder, vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), criticised the move, saying the government should have taken such a decision in consultation

with industry leaders.

Restrictive policies hinder growth

The call for withdrawal of the AIT comes as the primary textile sector, with an investment value of \$23 billion, is facing multifaceted challenges, including increasing reliance on yarn imports from India, low gas pressure, high bank interest rates, declining working capital due to the exchange rate, and looming US tariffs.

Md Badsha Mia, managing director of Badsha Textiles Ltd, said the government reduced the incentive to only 12 percent from 25 percent, hiked the gas price to Tk 32 per unit from Tk 4 per unit, raised the bank interest rate to 15 percent from single digits, and fixed the source tax at 1 percent—for which the sector is now in trouble.

Millers also noted that they suffered huge losses due to a 36 percent devaluation of the taka against the US dollar over the last three years.

Just before the beginning of the Russia-Ukraine war in February 2022, the exchange rate between the taka and the dollar was Tk 85. But the rate gradually reached Tk 122 per US dollar, causing many millers, traders, and importers to lose a massive amount of working capital, and they are now suffering from a capital shortage.

While the Bangladesh government

is moving towards more restrictive policies, the Indian government has been giving many incentives to the spinning, weaving, garment, and textile sectors, giving huge advantages to Indian millers in the competition, the millers also pointed out.

For instance, they said Indian millers can sell a kilogram of yarn at Tk 15 less than Bangladeshi millers due to the incentives introduced by the Indian government. This has led to local garment exporters showing interest in purchasing Indian-origin yarn to make garment items.

"When neighbouring countries have been giving a lot of incentives in the name of different developments for the sector, the Bangladesh government is reducing the incentive rate alarmingly, for which many units are about to be closed down," said BTMA Vice-president Md Saleudh Zaman Khan.

He alleged that such restrictive policies will end up destroying the Bangladeshi primary textile sector. "I am tired of talking about all these problems."

BTMA Director Razeeb Haider also echoed a similar sentiment. "Because of faulty policies, a massive amount of yarn comes from India now. The government should immediately reverse the decision to impose 2 percent AIT."

Energy assoc urges review of scrapped solar plans

STAR BUSINESS REPORT

The Bangladesh Sustainable and Renewable Energy Association yesterday urged the interim government to reconsider its cancellation of 31 letters of intent that the past regime had signed with potential investors in solar power projects without adopting any tender process.

A letter of intent is a document outlining the preliminary understanding between two or more parties who intend to enter into a formal agreement.

It is essentially a blueprint for a deal, setting out key terms and conditions before a legally binding contract is finalised.

Last week, the Centre for Policy Dialogue (CPD) also sought a review of the letters of intent.

The floating of tenders seeking bids for 55 new solar power projects was a positive development, but these did not draw foreign investors as expected, said the association.

"In some cases, only one bidder has shown interest, while in others, no one has participated at all," said Mostafa Al Mahmud, president of the association, at a press conference at the Dhaka Reporters' Unity.

Around \$300 million has already been invested in the cancelled projects, and the interim government's decision might create a sense of distrust among investors, he said.

Besides, the interim government has cancelled a provision under "implementation agreements" that enabled refunds of investments in cancelled projects, he said.

The refunding is necessary for the expansion of renewable energy generation capacity in the country, he added.

Mahmud thanked the government for updating the renewable energy policy and demanded a specific roadmap towards meeting the renewable energy target.

Guardian Life's claim settlements surge

STAR BUSINESS REPORT

Guardian Life Insurance Limited's claim settlements rose by 34 percent to Tk 129 crore in the first quarter of 2025 compared to the same period last year.

In 2024, the life insurer settled insurance claims worth Tk 439 crore, according to a statement from the company. Demonstrating its operational efficiency and customer-first approach, 95 percent of all claims are now settled within just three working days, with initiatives underway to reduce this timeframe even further.

Guardian's insurance coverage currently protects over 1.26 crore people, including employees from more than 500 local and multinational organisations.

The company distributes its insurance policies through retail, microinsurance, digital, group, and most recently, through bancassurance.

According to internal market research, since the launch of bancassurance in March 2024, the life insurer has led the way in shaping this new distribution channel.

The insurer accounted for approximately 79 percent of total bancassurance sales in the industry as of December 2024, reaffirming its market leadership and strategic execution in this emerging channel.

BB unlikely to cut policy rate now

FROM PAGE B1

released in a couple of days and inflation may come down to below 9 percent.

I would expect inflation to fall within the 8 percent range, he said.

"I am a bit concerned about the recent spike in rice prices. It is unclear why prices are going up even after ample production," said the governor.

Mansur, who took the leadership role at the BB on August 14 last year, said his office aims to bring down inflation to 5 percent by the end of this fiscal year.

"Our target remains the same. The situation may change this way or that. But that does not mean that the goal will change now," Mansur said, "Our point is what we have to do to bring down inflation to 5 percent."

"But there will be some direction in the monetary policy and the BB, like other central banks, will shed light on some issues and give its observations regarding the economy."

In the current monetary policy, the BB said the real policy rate turned slightly positive in January 2025 for the first time in recent months as point-to-point inflation fell below 10 percent.

Mansur said the real interest rate stood at one percent in May this year as inflation fell below the policy rate.

"What I want is to increase the real interest rate to 3 percent or above. So, when inflation declines below 7 percent, we will see the gap and then we can bring down the policy rate" he said.

EXCHANGE RATE

In the interview, Mansur, who worked with Middle Eastern, Asian, African, and Central American countries during his stint at the IMF, also spoke on exchange rates and foreign currency reserves.

"We have tried to keep the exchange rate stable. We have been able to do so," he said.

Bringing stability to the exchange rate was necessary for two reasons. First, containing and reducing

inflation to the targeted level.

"This is not possible to contain inflation if the exchange rate is unstable. Taka will depreciate and inflation will not increase; this is not possible."

According to the governor, stability in the exchange rate is also needed to give a message to all.

"Exchange rate stability is a major indicator of the stability of an economy. It creates trust. People keep confidence in a country that has a stable exchange rate. We have to take Bangladesh to that level."

The third reason is increasing the level of foreign exchange reserves.

"Exchange rate stability is a major indicator of the stability of an economy. It creates trust. People keep confidence in a country that has a stable exchange rate. We have to take Bangladesh to that level."

Mansur said, "Our reserves declined to as low as \$16 billion-\$17 billion. Now it has increased to \$26 billion as per the IMF calculation method."

"The main reason is that we have been able to keep the exchange rate stable. On the other hand, we did not sell a single dollar to the market."

"To accomplish this, we have utilised the interest rate as a supporting tool. Many said that it would not work. But it worked. We see the reflections in the falling inflation and succeeded in keeping the exchange rate stable," he said.

A dollar is sold at Tk 122-Tk 123 and there is improvement in the Balance of Payments. I think we had a surplus in the current account balance at the end of June, he said.

Mansur, replying to a question on the IMF's view that the exchange rate is not market-based yet, said

the multilateral lender thought that the exchange rate would go up to Tk 135 once we go for a market-based regime.

"That did not happen."

He said they could have reached an agreement with the IMF in the October-December period of 2024.

"We did not because they were pressurising us to allow the market to determine the exchange rate. Had we done so at that time, it would have gone up to Tk 150 per dollar. We could not contain it given that set of circumstances."

The BB governor said the currencies of Pakistan and Sri Lanka lost value significantly when the nations accepted the IMF's conditions.

Pakistan's rupee fell to 370 per dollar. In Sri Lanka, the Lankan rupee fell to 280 per dollar.

"If I leave the exchange rate in an unstable environment, it's like leaving a child on the road amid risks of accidents. I didn't want to take that responsibility," he said, "We said we will make it market-based when the time comes."

Mansur, who began his career as a lecturer of economics at Dhaka University, said Bangladesh got the result.

"Like Pakistan and Sri Lanka, our exchange rate did not go up in the air. Ours is still standing on the ground, standing in the same place. There has been no intervention in the market. It is totally market-based."

"We have to understand our own economy. They (IMF) think in the light of the experience of other countries. They see it has been done in Sri Lanka, Pakistan and other places, why can't it happen here?"

He said the IMF released funds one and a half months after the BB introduced a market-based exchange rate.

"Even then, they are giving the statement that it is not yet fully market-based. We have nothing to do."

Islamic banks' deposit, investment growth

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and then slightly recovered, rising to 6.75 percent in the first quarter of 2024.

However, in the first quarter of 2025, it dropped to around 0.80 percent, the BB data showed.

Meanwhile, an analysis of central bank data for the same period showed another trend of decline in the investment growth rate.

The investment growth rate was 11.88 percent in the first quarter of 2022. It increased to 14 percent in the first quarter of 2023.

It then dropped to 10.82 percent in the first quarter of 2024 and further declined to 9.96 percent in the first quarter of 2025.

COST OF DEFYING GOOD GOVERNANCE

Mohammad Abdul Mannan, chairman of First Security Islami Bank PLC, said the bank began deviating from the basic principles of good governance in 2017.

Over time, this erosion of standards significantly weakened the institution. As confidence declined, depositors gradually moved their funds elsewhere, ultimately contributing to the bank's current challenges, he said.

They have undertaken various initiatives to overcome the current situation, he added.

Shafiuzzaman, managing director of Social Islami Bank PLC, said that due to a crisis of customer confidence, deposit growth has been declining—a continuation of last year's trend.

He added that the decline in their deposit growth in the first half of this year has not been as sharp as it was during the second half of last year.

He mentioned that the deposit erosion was now at a relatively manageable level, and the panic withdrawal trend seen last year had significantly subsided. Customer confidence was also being regained.

Since deposit growth has declined,

it has had an overall impact on investments as well, he said.

That said, he added, it would still take more time for customer confidence to recover fully.

Mohammed Nurul Amin, chairman of Global Islami Bank PLC, said that in 2024, several banks that were identified as weak or reportedly controlled by a specific group revealed their true state in various official reports following the political changeover in August last year.

These reports showed that large amounts of money had been siphoned off from these banks—either laundered abroad or used for unauthorised purposes, he said.

As a result, crowds of depositors rushed to bank counters to withdraw their funds, he added.

After the political changeover in August last year, several businesses either shut down or scaled back operations—many of which had received significant financing from Islamic banks

Banks struggled to meet customer demands, leading to widespread panic among depositors, which ultimately triggered the current situation, he added.

This rush of withdrawals continued until December last year, after which the situation began to turn around. People are no longer crowding bank counters to withdraw cash as they did before, he mentioned.

However, while customer confidence in certain Islamic banks has weakened, overall trust in the banking system has not diminished—a fact evident in various indicators, he said.

Many depositors have shifted their funds to the Islamic banking

windows of conventional banks, he said, adding that high inflation is another factor contributing to the slowdown in deposit growth.

Apart from the ten full-fledged Islamic banks, 16 conventional lenders have Islamic banking branches, while 11 offer Shariah-based banking solutions through Islamic windows.

WHAT REGULATOR, EXPERTS ARE SAYING

Areif Hussain Khan, spokesperson of the Bangladesh Bank, said deposit growth across the banking sector has slowed due to the country's overall situation, accompanied by a decline in investment momentum.

He said that after the August political changeover, several businesses either shut down or scaled back operations—many of which had received significant financing from Islamic banks.

This has contributed to a slowdown in those banks' deposit and investment activities and overall growth, he mentioned.

Khan also pointed out that major irregularities reported in two Islamic banks in 2022 had a lasting impact on the sector, significantly undermining public confidence.

Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management, said the credit flow in the country's Islamic banks had remained unusually high since 2021, driven by aggressive lending practices.

"At one point, the central bank appointed observers due to irregularities and scams in some Islamic banks—an indication that underlying problems had emerged," he said.

Consequently, deposit growth began to slow, Habib mentioned.

"Following August 5 last year, multiple reports have exposed the severity of the crisis facing these banks," he said, adding that both deposit and investment growth have since declined.



Mohammed Amirul Haque

JAGARAN CHAKMA

The country's private sector remains hamstrung by red tape, political uncertainty, and rising costs, all of which pose a serious threat to economic progress, according to Mohammed Amirul Haque, founding managing director and chief executive officer of Premier Cement Mills Limited.

In an interview with The Daily Star, Haque praised the government for its efforts to promote investment and improve the business climate, but he questioned the genuineness of those efforts.

He congratulated the Bangladesh Investment Development Authority (Bida) for hosting an international summit and events, and for drawing global interest in the country's economy.

Even so, he questioned the balance of focus, saying that local entrepreneurs are often sidelined in favour of foreign investors.

"Other than big names like Elon Musk and a few companies, no one significant has entered the market yet,"

Haque praised the government for its efforts to promote investment and improve business climate, but he questioned the genuineness of the efforts

said the cement maker. "There were foreign investment commitments of over Tk 3,000 crore, but they have not materialised fully."

Speaking on the hurdles faced by local investors, the businessman shared his own long wait for permission to use land bought in Munshiganj for industrial purposes. Haque said the lack of political connections had "stalled" the process.

"Unless you have connections, you cannot get things done," he said.

"In other districts like Khulna or Mongla, I faced no problems getting land for industrial use. But in Munshiganj, there are obstacles because I do not have the political link. Either the government should allocate land for industry directly or make the process genuinely transparent so people without political links can proceed."

Turning to the broader investment climate, the Premier Cement Mills CEO said political instability and uncertainty continue to hold back large-scale

Solid trust, fair treatment key to private investment

Premier Cement MD tells The Daily Star

INVESTMENT HURDLES				RECOMMENDATIONS
Fragile trust among investors	Political uncertainty	Semi-functional one-stop service	Govt obsession with foreign investments	Enforce rules consistently
Regulatory harassment	Port access barriers	Slow govt spending	Inflation, high borrowing costs	Fix Bida one-stop service
				Treat local, foreign investors equally
				Cap interest rate spread
				Fast-track ADP spending

projects. "In my view, there has been no significant new investment recently. Investors need political stability, and until we have that, no large-scale new investment will come."

He also pointed to a history of "selective crackdowns" on businesses and individuals, which he believes have shaken confidence in the system.

"Even when the government takes action against individuals or businesses, one must ask: Why only now? Why were actions delayed for years? If the government has rules and norms, they should enforce them consistently, not selectively."

The businessman was critical of the role of regulatory bodies such as the Registrar of Joint Stock Companies and Firms (RJSC).

"There are allegations of harassment against RJSC by corporate houses and businessmen while renewing licences."

Haque alleged that the RJSC runs with little oversight. "Though it is under the Ministry of Commerce, they do not listen to anyone and run their own way. This lack of accountability is problematic."

He also criticised access restrictions at trade-related offices like the Chittagong Port Authority, which he said should be far more open to businessespeople.

"It is supposed to be a commercial office, but you need special permission to enter, as if it is the secretariat, or

the President's House, or the Prime Minister's Office. That is not how a commercial office should run."

On a separate note, Haque said that the government should do more to revive struggling factories instead of focusing only on new investments.

"Many factories already have infrastructure like power and utilities. Revitalising those would be much easier than building new factories from scratch, especially since there is often no fresh gas or basic service lines available for new industrial setups."

According to the cement manufacturer, the sluggish implementation of the Annual Development Programme (ADP) last year had a direct impact on key construction input sectors.

On top of that, high inflation for around three years has reduced construction demand.

Haque said although incomes have risen in some areas, the lower middle-income group is under intense inflationary pressure.

"Daily essentials are indeed getting expensive. But the lower middle-income groups with fixed salaries are suffering because their incomes are not rising to match expenses."

Amid this lacklustre demand for construction materials, he said high interest rates are making industrial growth more difficult.

"The central bank adopted a

contractionary monetary policy to control inflation, but it ended up benefiting banks while hurting industries. Banks are making good profits, but industries are suffering because borrowing costs are too high."

To ease the burden on businesses, he urged the Bangladesh Bank to limit the interest rate spread.

"The spread between lending and deposit rates should not cross 3 percent in any case. That is the only way to keep the cost of doing business manageable," Haque added.

Above all, restoring trust and ensuring a conducive business climate are essential for attracting both local and foreign investment.

"It all comes down to trust. Without trust, the private sector will not invest. Businesspeople do not live under a monarchy—they have choices. They can take their investments and ideas anywhere in the world."

He commented that younger entrepreneurs, who are globally connected and mobile, will not hesitate to move their capital elsewhere if the environment does not improve.

"And unless the government genuinely respects the private sector and listens to its concerns, the business environment will not improve."

"We can keep calling for investment," he concluded, "but without building trust and ensuring fair treatment, progress will be in jeopardy."

Default loans: How do we reverse the trend?

MAMUN RASHID

The stability of Bangladesh's banking sector is under serious threat, and it's no longer an abstract issue confined to industry insiders or economists. The numbers speak for themselves: as of March 2025, defaulted loans have reached a staggering Tk 420,335 crore, accounting for more than 24 percent of all outstanding loans.

To put that in perspective, nearly one in every four taka lent by banks has not been repaid on time. This isn't just a statistic but a warning bell for the country's economy.

State-owned banks are by far the worst affected. Almost half — 46 percent or Tk 146,407 crore — of their total loan portfolios have turned into bad loans.

Bad loans at private commercial banks stand at Tk 264,195 crore, making up over 20 percent of their portfolios. Even foreign and specialised banks have accumulated bad debts amounting to several thousand crores.

In addition, banks are facing a massive provisioning shortfall — over Tk 170,000 crore. This erodes the system's ability to withstand shocks, be they domestic or international.

The sudden spike in bad loans is partially owed to regulatory issues. In April 2025, the Bangladesh Bank shortened the window for loan classification to 90 days from the previous redline of 270 days. While this move aligned banking standards with international best practices, it also revealed the extent of the rot more clearly.

There are also cases of businesses struggling due to global headwinds: the prolonged aftershocks of the Covid-19 pandemic and the Russia-Ukraine war, a sharp increase in energy costs, and severe depreciation of the taka against the US dollar. Add to that the recent high interest rates and frequent power outages in industrial zones like Savar and Narayanganj, and you get a cocktail of stress that has made it difficult for even sincere borrowers to stay afloat.

This crisis didn't build overnight. When the former ruling party, the Awami League, came to power in 2009, the total volume of defaulted loans was around Tk 22,481 crore. Since then, it has only grown bigger.

Economists and watchdogs have pointed fingers at successive governments for turning a blind eye to politically connected borrowers. High-profile individuals reportedly took out hundreds of crores in loans from public banks without proper collateral, only to divert the funds into unrelated ventures or park them abroad. In some cases, the money never entered the economy at all.

Yet, not all borrowers are at fault. Many businesses, from garment exporters in Gazipur to pharmaceutical companies in Tongi, have tried their best to maintain repayment schedules. These are the entities that must be protected and encouraged. In addition to taking tough action against habitual defaulters, the government must also ensure that genuinely productive sectors continue to get access to credit.

To address this crisis, we need more than short-term fixes. The first step would be the political will to go after big defaulters, regardless of their affiliations. This needs to be followed by deeper reforms to strengthen governance, transparency, risk management, and professionalism in the banking sector. Regulatory bodies need to be allowed more autonomy and capacity to act without fear. The central bank must function as a neutral referee, rather than a passive observer or occasional crisis manager.

The volume of default loans is not just an economic problem; it is a reflection of deeper institutional weaknesses. Unless those are addressed, no amount of rescheduling or provisioning will bring lasting stability. What's at stake is not just the health of our banks, but the future growth and trust in our economy.

The writer is a banking and economic analyst having worked at three international banks at home and abroad

Stocks end week on positive note

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) ended last week on a positive note as turnover also increased, reflecting strong investor activity.

The DSEX, the benchmark index of the DSE, rose 61 points, or 1.27 percent, to close at 4,894.

The D530, which tracks blue-chip stocks, advanced 16 points to 1,836, while the DSES Index, comprising 511 companies, gained 6 points to finish at 1,065, according to DSE data.

Despite a shortened trading week of four sessions due to the bank holiday on July 1, the DSE witnessed a surge in total turnover, indicating increased investor engagement.

Total turnover reached Tk 1,944 crore, up from Tk 1,813 crore recorded in the previous five-day trading week. As a result, the average daily turnover jumped 34 percent to Tk 486 crore from Tk 363 crore the week before.

Banking led the turnover table, contributing over 16 percent of total weekly trades, followed by food and allied (13 percent), pharmaceuticals (12 percent), and textiles (11 percent). Mutual funds and IT also saw increased activity.

Trump says 'probably 12' tariff letters being sent out tomorrow

AFP, Morristown

US President Donald Trump said Friday that he had signed 12 trade letters to be sent out next week ahead of an impending deadline for his tariffs to take effect.

"I signed some letters and they'll go out on Monday, probably 12," Trump told reporters aboard Air Force One, adding that the countries that the letters would be sent to will be announced on the same day.

His comments come days before steeper duties — which the president said Thursday would range between 10 and 70 percent — are set to take effect on dozens of economies, from Taiwan to the European Union.

So far, the US has unveiled deals with the UK and Vietnam, while Washington and Beijing agreed to lower high levies on each other's products

The tariffs were part of a broader announcement in April where Trump imposed a 10 percent duty on goods from almost all trading partners, with a plan to step up these rates for a select group within days.

But he swiftly paused the hikes until July 9, allowing for trade talks to take place.

Countries have been pushing to strike deals that would help them avoid these elevated duties.

So far, the Trump administration has unveiled deals with the United Kingdom and Vietnam, while Washington and Beijing agreed to temporarily lower staggeringly high levies on each other's products.

As his July 9 deadline approaches, Trump has repeatedly said he plans to inform countries of US tariff rates by sending them letters. Aboard Air Force One on Friday, Trump said sending notices would be much easier than "sitting down and working 15 different things."

What is the state of play with Trump's tariffs?

AFP, Washington

With sweeping tariffs on friend and foe, US President Donald Trump has roiled financial markets and sparked a surge in economic uncertainty — and tensions are mounting days before a fresh volley of higher duties are due to kick in.

Here is a rundown of what Trump has implemented in his second presidency, with levies on dozens of economies set to bounce from 10 percent to a range between 11 percent and 50 percent on Wednesday.

GLOBAL TARIFFS

While Trump imposed a 10 percent tariff on most US trading partners in April, the rate is set to rise for dozens of economies including the European Union and Japan come Wednesday.

To avoid higher levies, countries have been rushing to strike deals with Washington.

So far, the UK and Vietnam have struck pacts with the United States, while China has managed to temporarily lower tit-for-tat duties.

There are notable exceptions to the duty. Immediate US neighbors Canada and Mexico, which were separately targeted over illegal immigration and fentanyl, are not affected by the 10 percent global tariff.

Also off the hook are copper, pharmaceuticals, semiconductors and lumber — although these are sectors that Trump is mulling levies on. Gold and silver, as well as energy commodities, are excluded too.

CHINA FOCUS

China has borne the brunt of Trump's levies. The world's two biggest economies engaged in an escalating tariffs war this year



US President Donald Trump gestures as he steps on stage to deliver remarks at the Salute to America Celebration at the Iowa State Fairgrounds in Des Moines on July 3.

PHOTO: AFP

before a temporary pullback.

Both sides imposed triple-digit tariffs on each other's goods at one point, a level effectively described as a trade embargo.

After high level talks, Washington agreed to lower its levies on Chinese goods to 30 percent and Beijing slashed its own to 10 percent.

The US level is higher as it includes a 20 percent tariff imposed over China's alleged role in the global fentanyl trade.

AUTOS, METAL

Trump has also targeted individual business sectors in his second term.

In March, he imposed a 25 percent levy on

steel and aluminum imports and last month doubled them to 50 percent.

He has also rolled out a 25 percent tariff on imported autos, although those imported under the US-Mexico-Canada Agreement (USMCA) can qualify for a lower levy.

Trump's auto tariffs impact vehicle parts too, while the president has issued rules to ensure automakers paying vehicle tariffs will not also be charged for certain other duties.

CANADA, MEXICO

Canadian and Mexican products were initially hard hit by 25 percent US tariffs, with a lower rate for Canadian energy.

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