



Balance sheets of several banks found ‘fictitious’

Governor warns of widespread audit malpractice

STAR BUSINESS REPORT

The balance sheets of several banks have been found to be “fictitious”, failing to reflect their true financial state, according to Bangladesh Bank (BB) Governor Ahsan H Mansur.

Non-performing loans (NPLs), which many banks had reported at just 3 percent up to last year, shot up to 36 percent in the first quarter of this year, he said.

“Why? Was there a good reason for it? No. It is completely for misrepresenting the facts and the reality,” the governor said while speaking at the Accounting & Auditing (A&A) Summit 2025 in Dhaka yesterday.

The event was jointly organised by the World Bank and the Financial Reporting Council (FRC).

Senior policymakers at the summit echoed similar concerns, saying auditors had failed to give a true picture of corporate accounts.

This, they said, had contributed to the deterioration of business balance sheets, enabled money laundering, shaken investor confidence, and led to tax losses.

They called for a concerted effort from Bangladesh Bank, the FRC, the Institute of Chartered Accountants of Bangladesh (ICAB), and the Institute of Cost and Management Accountants of Bangladesh (ICMAB) to strengthen the financial reporting ecosystem.

Mansur said the quality of audits at financial institutions requires a lot of attention and that he has been engaging with the FRC chairman to collaboratively look into the issue.

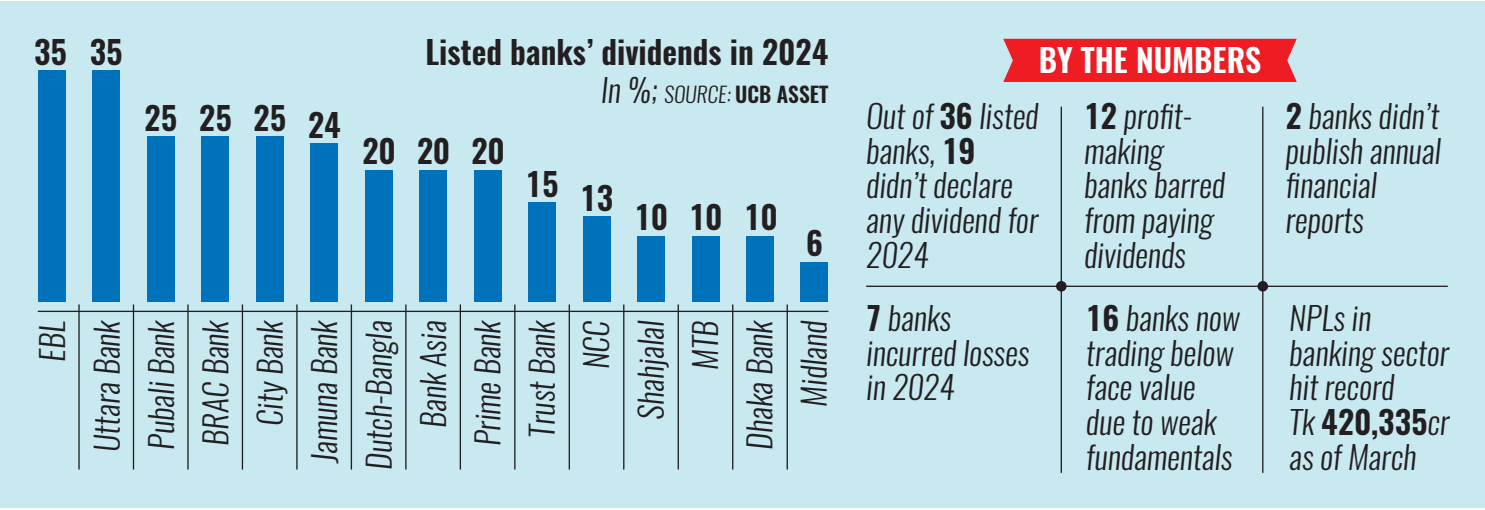
“We need to support the FRC with a proper budget, proper staffing, and ensure that

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12 banks paid no dividend despite profits last year

Their fragile financial health caused by irregularities to blame



Part 5 INSIDE BANKING

AHSAN HABIB

Nineteen banks failed to pay any dividend to shareholders for 2024. While seven posted losses, the remaining 12 reported profits but were barred from dividend payouts due to inadequate capital and deferred provisioning for bad loans.

These lenders applied for permission from the Bangladesh Bank (BB) to issue dividends.

The central bank, however, rejected the requests, citing the Bank Company Act, which bars financially unsound institutions from declaring dividends.

While the restriction by the BB left many general investors frustrated, stock analysts backed the regulator's decision, saying it prioritised long-term stability over short-term gains.

There are 36 listed banks in the country. Islami Bank Bangladesh Limited and Union Bank PLC have yet

to publish their 2024 financial reports.

The 12 profit-making banks that were blocked from distributing dividends are: Al-Arafah Islami Bank, Exim Bank, Rupali Bank, Mercantile Bank, One Bank, Southeast Bank, NRB Bank, NRB Commercial Bank, Premier Bank, Standard Bank, United Commercial Bank (UCB), and South Bangla Agriculture and Commerce (SBAC) Bank.

The seven banks that incurred losses and were therefore unable to pay dividends are: AB Bank, First Security Islami Bank, Global Islami Bank, ICB Islamic Bank, IFIC Bank, National Bank, and Social Islami Bank.

To overcome the deficiencies in capital and provisioning, the BB instructed the 12 profit-making banks to submit realistic and time-bound action plans, approved by their respective boards.

Besides, the central bank tightened its rules on dividend payments further in March.

Currently, banks that obtain provisioning deferrals from the BB are not allowed to issue dividends. From next year, this restriction will also apply to banks whose non-performing

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loans cross 10 percent of their total loan books.

Kazi Monirul Islam, chief executive officer of Shanta Asset Management, supported the central bank's decision on barring weak banks from dividend payouts.

“For banking business, a strong capital base is necessary. If they provide dividends without strengthening the capital base, it will impact their long term sustainability,” he said.

Islam said that although stock investors were left disappointed, the banks would gain the ability to increase their deposit and loan portfolios once their capital base was strengthened.

In a similar tone, Asif Khan, president of CFA Society Bangladesh, said, “Many banks in Bangladesh have a weak capital base. To improve their capital base, it is important to retain as much profit as possible.”

He added that once these banks met the minimum capital requirements, they would be able to resume paying dividends. Raising fresh equity or issuing bonds could help fast-track their recovery.

Around 2010, banking stocks were highly sought-after on the Dhaka bourse due to their attractive dividend payouts.

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Banks allowed to make equity investment in startups

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has allowed banks to make equity investments in the startup sector in addition to providing loans at 4 percent interest.

The regulator issued a circular in this regard yesterday, stating that it will establish a venture capital company to facilitate investment. The company will be financed by one percent of the annual net profit of all banks.

The circular details that banks will have to offer the equity investment solely from their self-established startup fund.

Additionally, banks are required to distribute loans by availing refinancing from Bangladesh Bank's Tk 500 crore refinancing fund.

No new loans or investments may be disbursed to startups outside this fund, it states, adding that disbursements under previously approved loans or investments may continue.

Furthermore, the loan ceiling for entrepreneurs has been set in phases, ranging from Tk 2 crore to Tk 8 crore, up from the previous limit of Tk 1 crore.

Entrepreneurs must be at least 21 years old, with no upper age limit, to be eligible for the financing, according to the BB circular. Existing businesses will also be eligible for the financing, provided their registration was completed within the last 12 years.

Startup companies play a supportive role in driving growth, generating employment, and fostering innovation in the country's economy, as per the BB circular.

These ventures are contributing to the creation of innovative business infrastructure, establishing connections with global investment opportunities, and opening new avenues for employment, which aligns with one of the core goals of the Sustainable Development Goals (SDGs), it further states.

To ensure more dynamic financing of high-potential startups by banks and financial institutions, several timely amendments and revisions have been made to the existing startup financing policy.



Various vegetables in low-lying fields have been damaged by waterlogging caused by continuous rain over the past few days. A farmer is seen draining rainwater from his vegetable plot to save the crops. The photo was taken yesterday at Kandalkati village in Jhalakathi district.

PHOTO: TITU DAS

SUKANTA HALDER

Non-stop rainfall since Tuesday has left large swathes of farmland under water, causing concern among vegetable growers across the country.

Thousands of hectares have already been submerged, with farmers fearing that if the rain does not stop soon, the damage to vegetables could be severe.

Crops such as chilli and other summer vegetables are particularly affected, as traders are staying away amid the dull weather.

“There are hardly any buyers,” said Abu Hanif Morol, a farmer at Baratia village of Dumuria upazila in Khulna. “If this continues, we will lose even more.”

According to the Department of Agricultural Extension (DAE), about 1.36 lakh hectares of cropland have gone underwater due to the prolonged downpour.

A scientist of the Bangladesh Agricultural Research Institute (BARI) said that if temperatures rise suddenly once the water begins to recede, it could kill many vegetable plants. This may lead to a supply shortage and a spike in market prices.

Summer vegetables like bitter gourd, ash gourd, ridge gourd, sponge gourd, snake gourd and bottle gourd are usually grown during this season.

The Bangladesh Meteorological Department said a low-pressure system

over the Bay of Bengal and the advancing monsoon winds have triggered the persistent rainfall.

While the rain may taper off from Thursday, forecasters expect another spell from Sunday.

In kitchen markets of the capital, the impact is already being felt. Fewer shoppers are turning up, and supplies of vegetables, fish and daily essentials have shrunk. Prices of key items such as green chilli, fish and chicken have increased in recent days.

Delowar Jahan, a farmer of Kautia village in Ghior upazila in Manikganj, said 75 percent of the chilli plants on his half-bigha plot have died.

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Drug exporters concerned over Trump's 200% tariff plan

JAGARAN CHAKMA

Uncertainty looms over Bangladesh's pharmaceutical exports to the US market, as President Donald Trump plans to impose tariffs of up to 200 percent.

Industry insiders said several companies are preparing to export to the US market and have built up capacity with world-class facilities, but the tariff plan, if implemented, may prevent them from commencing exports.

Trump on Tuesday announced plans to impose tariffs of up to 200 percent on pharmaceutical imports, although he signalled a grace period of about one and a half years before the policy takes effect, reports Reuters.

“Bangladesh's pharmaceutical industry, while still small on a global scale, has been steadily expanding its footprint,” said Zahangir Alam, chief financial officer of Square Pharmaceuticals.

“However, we are observing significant changes that could impact our competitiveness,” he told The Daily Star.

Square Pharmaceuticals currently exports medications worth around \$4 million to \$5 million annually to select US markets, Alam said.

Bangladeshi pharmaceutical companies could face tougher hurdles in accessing the US market due to such trade barriers, says an insider

Although some Bangladeshi firms have received US Food and Drug Administration (USFDA) approval, the country currently lacks the capacity to lower pharmaceutical prices further to remain competitive in the US market under such a high duty regime, he said.

Arefin Ahmed, executive director (marketing) of Incepta Pharmaceuticals Ltd, said Bangladeshi exporters could face serious setbacks if the US enforces the steep import duty on medicine.

While the tariff would affect all exporting nations, Ahmed believes Bangladeshi firms may be particularly vulnerable because they rely on competitive pricing to gain entry into regulated markets like the US.

“Companies have invested heavily to obtain USFDA approvals, but a 200 percent tariff threatens our cost advantage,” he said.

Mohibuz Zaman, managing director and CEO of ACI HealthCare Ltd, said any new tariff imposed by the US government on pharmaceutical imports would significantly raise health insurance costs for American insurers, creating a major challenge for the industry.

At the same time, Bangladeshi pharmaceutical companies could face tougher hurdles in accessing the US market due to such trade barriers, he added.

Citing data from the Export Promotion Bureau, he said Bangladesh exported around \$30 million worth of pharmaceuticals to the US last fiscal

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