

star BUSINESS

IMF for keeping policy rate at 10% to contain inflation

STAR BUSINESS REPORT

Bangladesh should maintain its policy rate at 10 percent until the middle of fiscal year 2025-26, the International Monetary Fund (IMF) has said, citing the inflationary pressures of a weaker currency and the heightened sensitivity of inflation expectations to exchange rate depreciation.

It said the uncertainty surrounding inflation, external imbalances, and forex market pressures calls for a cautious approach to unwinding the tighter monetary policy stance and for a higher degree of exchange rate flexibility.

"Normalising inflation to the target range will become more protracted if the Taka depreciates in response to the impact of US tariffs on the external trade balance," it said.

The Fund made the observation in its report following the third and fourth reviews of the conditions it had attached to the \$5.5 billion ongoing loan package for Bangladesh to help restore macro-economic stability.

The Bangladesh Bank (BB) raised the policy or repo rate, at which BB lends to commercial banks, in October last year to 10 percent.

In BB's effort to contain runaway inflation, which remained above 9 percent for more than two years until May, the rate hike was the 11th time since May 2022.

The BB maintained the policy rate unchanged for the January-June period of this year as inflation stayed high.

In the three months to June, consumer prices eased to 8.48 percent from 9.05 percent the previous month, according to the Bangladesh Bureau of Statistics (BBS).

The annual average inflation, however, stood at over 10 percent, higher than the BB's expectation of 7-8 percent at the end of June.

In an interview with The Daily Star early this month, BB Governor Ahsan H Mansur said the policy rate is likely to remain unchanged in the monetary policy for July-December of FY26.

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Fraudulent trade deals enable money laundering: study

MD MEHEDI HASAN

Fraudulent trade transactions are one of the key reasons behind the rise in non-performing loans (NPLs) in Bangladesh's banking sector, creating a dangerous feedback loop that undermines financial stability and enables trade-based money laundering (TBML), according to a study by the Bangladesh Institute of Bank Management (BIBM).

At the end of March 2025, banking sector bad loans hit Tk 420,335 crore, the highest in the country's history, painting a clearer picture of the rot in the banking system.

The BIBM study, titled Enforcement Status of the Standards to Prevent Trade-Based Money Laundering, is set to be published today.

The study report, seen by The Daily Star, suggests that when criminals forge export-import documents or mis-invoice export-import deals, banks often extend credit based on fictitious paperwork. Once these deals are executed, the loans inevitably default, contributing to the mounting pile of NPLs.

It points out that despite the issuance of TBML guidelines by the Bangladesh Financial Intelligence Unit (BFIU), enforcement remains patchy.

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A nationwide survey of 37 banks conducted by BIBM found that while 100 percent claim to have sanction screening systems, only 50 percent subscribe to price verification tools like Global Trade Tracker or Bloomberg to mitigate the risk of trade-based money laundering," the report states.

Worse still, only 40 percent of banks have centralised price

BIBM STUDY FINDS

Fake trade deals driving NPLs, now at record Tk 420,335 crore

40% have central price verification units

BIBM RECOMMENDS

Form a 'trade transparency unit'

Track ultimate beneficial owners

75% of money laundering is trade-based

Many still depend on manual systems

Link customs and BFIU data

Bring freight, warehouse operators under AML/KYC rules

Only half of banks use price verification tools

One-third manage trade operations at branch level

Publish 'beneficial ownership register'

Use analytics, offer incentives, and enforce penalties

verification units, making uniform monitoring difficult.

Even more worrying is the reliance on manual processes.

"Banks often lack automated escalation mechanisms to flag and investigate suspicious transactions. A three-tier escalation system, mandated in the guidelines, is frequently bypassed. Decisions are often made verbally and undocumented, compromising audit trails and regulatory scrutiny," reads the report.

The report goes on to state that TBML is now widely acknowledged as one of the most complex and underreported forms of money laundering, globally accounting for nearly 30 percent of laundering schemes.

In Bangladesh, it is far more serious. Nearly 75 percent of domestic money laundering is believed to occur through trade channels, according to the National

Board of Revenue, it adds.

"The scale is staggering. A 2024 white paper estimated annual trade-related outflows from Bangladesh at \$16 billion, equivalent to 3.4 percent of the GDP—more than the nation's total yearly health budget. These losses, often facilitated through over- or under-invoicing and phantom shipments, erode the country's foreign exchange reserves, reduce customs revenue, and inflate the cost of doing business," reads the report.

The BIBM report identifies the lack of enterprise-level TBML risk analysis in many banks as another major concern.

"Despite all banks claiming to review TBML alerts, few have year-round review teams or structured methods for disseminating red flags and regulatory updates across departments. This knowledge gap at the operational level severely undermines the effectiveness of even the best-designed policies," it states.

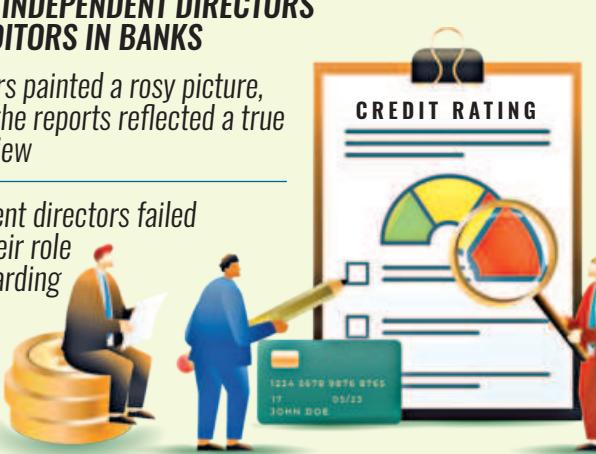
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Auditors, rating agencies fail to forecast banking woes

ROLE OF INDEPENDENT DIRECTORS AND AUDITORS IN BANKS

All auditors painted a rosy picture, claiming the reports reflected a true and fair view

Independent directors failed to play their role in safeguarding savers' interests



CREDIT RATINGS OF BANKS THAT STRUGGLED LAST YEAR

Banks	Rating agencies	Ratings	NPL ratio*
Islami Bank	Emerging Credit	AAA	27%
Social Islami	Alpha Rating	AA+	38%
First Security	Emerging Credit	A+	37%
Union Bank	Alpha Rating	A+	90%
Global Islami	Alpha Rating	AA-	54%
National Bank	Emerging Credit	A- (2022)	64%

*March 2025

RECOMMENDATIONS

Accountability of auditors has to be ensured

Assign auditors randomly through the central bank

Increase remuneration for auditors

Strengthen accountability of credit rating agencies

AHSAN HABIB

Banks have several layers of professionals to regularly assess their financial health and raise early warnings at the first sign of trouble.

But following the political changeover in August last year, which exposed widespread corruption and the fragile state of many banks, scrutiny has turned on the very people tasked with sounding the alarm.

Now fingers are pointed at professionals responsible for detecting irregularities, ranging from independent directors and external auditors to credit rating agencies, for helping conceal bad loans, irregularities, and mismanagement for years.

As the cosmetic gloss begins to wear off, these so-called flag raisers are trading

blame. Many now concede it was "a collective failure", rooted in a broader weakness of regulatory oversight.

At an event last week, Bangladesh Bank Governor Ahsan H Mansur said the balance sheets of most banks were "fictitious", built on "cooked-up" data. "If I judge the audit reports based on their reports, there will be no auditors left qualified for the job."

One such example of the audit blunders is First Security Islami Bank, which failed to pay

depositors last year due to a severe cash crisis. Yet, over the past decade, the bank received a long-term credit rating of "A+" and a short-term rating of "ST 2".

According to the bank's own website, an "A+" rating reflects strong capacity to meet financial obligations, while the "ST 2" short-term rating means superior performance.

These ratings were issued by Emerging Credit Rating Ltd.

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নারীর স্বীকৃত প্রযোগ যাত্রা আরো সার্কেলসমূহ করতে "ইন্ডিগেল উইমেন'স লাই"

মুক্তিসমূহ:
 > সর্বোচ্চ ২০ লক্ষ টাকা মর্যাদিত জারামতবিলী লাই
 > সর্বোচ্চ ৫০ মাস মর্যাদিত মাসিক কিঞ্চিতে মর্যাদিত সার্কেলসমূহ
 > যে কোর স্বীকৃত আর্থিক বা সম্পর্ক লাই সর্বিশেষজ্ঞ সুযোগ
 > আকর্ষণীয় ইন্টারেস্ট রেট

Processed food exports slow further

JAGARAN CHAKMA

Bangladesh's agricultural product exports increased slightly last fiscal year, although shipments to India fell, apparently due to its recent ban on the entry of goods, including processed foods, garments, fruits, and soft drinks, through all land ports except Bhomra.

Local exporters are reporting shipment delays, rising logistics costs, and declining exports as goods must be rerouted through a single port, coupled with a new provision making it mandatory to get all goods tested at laboratories.

According to the Export Promotion Bureau (EPB), Bangladesh exported agricultural products worth \$989 million in fiscal year 2024-25, whereas it was \$964 million in the preceding fiscal year of 2023-24.

The data show dry food exports fell by more than 14 percent year-on-year, while sugar and confectionery dropped 17 percent.

When it comes to India, goods worth \$145 million were exported in FY2024-25. It was \$192 million in the preceding fiscal year of 2023-24, according to the EPB.

The information was shared yesterday when the Bangladesh Atomic Energy Regulatory Authority signed a memorandum of understanding with the NBR to become the 19th state agency under the BSW network.

The MoU is part of NBR's initiative to onboard 38 ministries, departments, and regulators to the system.

The

Directorate

General of Drug

Administration, the

Export

Promotion

Bureau, the Department

of Explosives, the

Bangladesh

National

Authority for Chemical

Weapons

Convention, the

Bangladesh

Economic

Zones

Authority, and the

Bangladesh Export

Processing

Zones

Authority are some of the agencies under the BSW network.

The

Exporters

said that had India not

banned

imports

through the land

ports

in May

this year, the overall agricultural product exports would have grown a bit more.

Exporters cautioned that the restriction threatens Bangladesh's efforts to diversify

its exports beyond readymade garments (RMG), especially in the agro-processing sector.

Trade associations have reached out to both the Bangladeshi authorities and the Indian High Commission in Bangladesh, but no resolution has been reached to date.

"Businesses are facing mounting challenges as Bhomra remains the only fully operational land port for exports to India," said Kamruzzaman Kamal, marketing director at PRAN-RFL Group, one of Bangladesh's leading exporters of agro-processed goods.

"We are compelled to route all our consignments through the Bhomra port. This significantly increases both transportation time and overall costs," he said.

He further explained that relying solely on the Bhomra port, which is located in Satkhira district, has increased logistics expenses manifold.

"Every shipment now undergoes mandatory lab testing after entry into India. Previously, this wasn't required for all products. It's not a question of quality, it's bureaucracy—delays can stretch up to 10 days," said Kamal.

The northeastern Indian states

BRAC Bank hosts AML conference on contemporary risks and challenges

STAR BUSINESS DESK

BRAC Bank organised an anti-money laundering (AML) conference titled "Contemporary Risks & Challenges" to enhance awareness among its officials on current issues related to AML and combating the financing of terrorism (CFT).

The event, held on July 19 at a hotel in Dhaka, was attended by around 180 senior officials of the bank. It is part of the bank's ongoing initiatives to keep employees updated on regulations and best practices, according to a press release.

AFM Shahinul Islam, head of the Bangladesh Financial Intelligence Unit (BFIU), attended as the chief guest. Tareq Refat Ullah Khan, managing director and CEO (current charge), and Chowdhury Moinul Islam, deputy managing director and CAMLCO of BRAC Bank, were also present.

Shadril Ahmed, additional director at BFIU, conducted a session on "Current trends of fraud forgeries including online gambling, betting, gaming, and cryptocurrency trading". Md Mosharraf Hossain, joint director at BFIU, spoke on "Risk and impact of trade-based and credit-backed money laundering" and "AML & CFT system



Guests and officials of BRAC Bank are seen posing for photographs at the conference on "Contemporary Risks & Challenges" at a hotel in Dhaka on July 19.

PHOTO: BRAC BANK

check inspection and rating".

Addressing the event, AFM Shahinul Islam said bankers must remain vigilant so that criminals cannot misuse banking channels. "It is imperative to maintain strict compliance with local and international regulations and ensure proper KYC, regular monitoring,

and timely reporting," he said.

Tareq Refat Ullah Khan emphasised that AML compliance is the foundation of trust in financial institutions. "When we strengthen our knowledge of AML, we not only protect our bank but also safeguard the financial system," he said.



Chairman of UCB Sharif Zahir, members of the board of directors, Managing Director and CEO Mohammad Mamduur Rashid, and other senior officials are seen posing for photographs at the bank's business review meeting in Savar on July 19.

Khulna police launch traffic fine collection through Community Bank

STAR BUSINESS DESK

Khulna District Police has introduced traffic fine collection through Community Bank Bangladesh PLC, with an inauguration programme held at Khulna Club recently.

As part of the initiative, an agreement was signed between Community Bank and Khulna District Police. Md Rezaul Haque, deputy inspector general (DIG) of Khulna District Police, and Kimiwa Saddat, managing director (current charge) of Community Bank, signed the agreement on behalf of their respective organisations, according to a press

release.

The event was attended by Mohammad Balaet Hossain, additional DIG of Khulna Range Office; Shaikh Joynuddin, additional DIG of Khulna Range Office; TM Mosharaf Hossain, superintendent of police (SP) of Khulna District; and Abu Nayem Muhammad Mufazzal Haq, traffic inspector of Khulna District.

From Community Bank, attendees included Md Mamunur Rahman, head of ADC and head of MD's coordination team; Md Roqonuzzaman, SAVP and branch manager of Khulna branch; along with employees from Khulna branch and Sir Iqbal Road (Kalibari) sub-branch.

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United Commercial Bank PLC (UCB) held a business review meeting on July 19 at the Bangladesh Institute for Development Management (BCDM) in Savar.

The meeting was attended by Chairman Sharif Zahir, members of the board of directors, Managing Director and CEO Mohammad Mamduur Rashid, and other senior officials, according to a press release.

Discussions focused on UCB's operational performance, strategic priorities, and future plans. The bank reported that in the first half of 2025, its net deposits grew by Tk 7,783 crore, surpassing

both the budgeted target of Tk 5,100 crore and the internal goal of Tk 6,000 crore.

Senior management attributed the achievement to operational efficiency and customer confidence, adding that UCB is now positioned as one of the most stable and sustainable financial institutions in the country.

The meeting also adopted several strategic decisions, including prioritising risk-free and sustainable lending, modernising internal processes and human resource practices, and expanding technology-driven services to enhance customer experience. UCB aims to maintain deposit growth through new strategies and financial products.



Md Rezaul Haque, deputy inspector general (DIG) of Khulna District Police, and Kimiwa Saddat, managing director (current charge) of Community Bank, pose with the signed documents at the inauguration programme at Khulna Club recently.

SBAC Bank holds business review meeting with Khulna zone officers

STAR BUSINESS DESK

SBAC Bank PLC organised a business review meeting with its Khulna zone officials on July 19 at Hotel City Inn in Khulna.

Md Rabiul Islam, managing director and CEO (current charge) of SBAC Bank, is seen alongside other officials of the bank at its business review meeting with its Khulna zone officials at Hotel City Inn in Khulna on July 19.

attended the meeting as chief guest.

Other senior officials present included Md Masoodur Rahman FCA, SEVP and head of banking operations division; Md Abdul Mannan, EVP and head of credit division; Mohammad Shafiqul Azam, SVP and head of general services division; Mannan Bapari, SVP

and head of financial administration division; Mohd Abul Kalam Azad, SVP of legal affairs and recovery division; and Md Shahidur Rahman, VP and head of Bhorma branch.

The meeting was presided over by Syed Hafiz Ahmed, VP and head of Khulna branch.

Rahman also expressed confidence that executives and employees would continue their efforts to achieve the company's business goals in the coming days.

STAR BUSINESS DESK

Eastland Insurance PLC organised its Half-Yearly Business Conference-2025 on July 20 at the DCCI Auditorium in Motijheel, Dhaka.

Mahbubur Rahman, chairman of the company, presided over the conference. Vice Chairman Rizwanur Rahman, board members Kamal Uddin Ahmed and ASM Quasem were also present and addressed the event, according to a press release.

Chief Executive Officer Mohammed Salim attended the programme and presented an analytical report on the company's half-yearly performance.

The chairman expressed satisfaction over achieving 83 percent of the proportionate business target set up to June 2025, despite

the challenges posed by the global economic slowdown. He appreciated the efforts of the management team and employees for promoting business during a difficult period.

Rahman also expressed confidence that executives and employees would continue their efforts to achieve the company's business goals in the coming days.

Mahbubur Rahman, chairman of Eastland Insurance PLC, is seen with other officials of the company at the "Half-Yearly Business Conference-2025" at the DCCI Auditorium in Motijheel, Dhaka on July 20.

PHOTO: EASTLAND INSURANCE PLC

PHOTO: EASTLAND INSURANCE PLC

Nagad provides financial aid to family of deceased sales representative

STAR BUSINESS DESK

Nagad, a mobile financial service provider, has provided a life insurance cheque of Tk 3.5 lakh to the family of Senta Hawlader, a sales representative from Narail who died in a road accident.

The cheque was handed over yesterday at the head office of Waadaa.Insure, Nagad's insurance partner, to the deceased's wife, Sumaiya Islam, and other family members, according to a press release.

Motasem Billah, administrator of Nagad appointed by Bangladesh Bank, and Sk Khalidujaman, associate director and chief marketing officer of Waadaa.Insure, handed over the cheque. Muhammad Asif Shams, CEO of Chartered Life Insurance, Waadaa.Insure's insurance partner, was also present.

Other attendees included Md Habibur Rahman, senior associate administrator of Nagad, and Mohammed Shahin Sarwar Bhuiyan, acting chief commercial officer of Nagad, along with senior officials from Waadaa.Insure and Chartered Life Insurance.

Nagad officials said the company is working to increase the current level of financial support for field-level sales representatives and remains committed to ensuring their financial and social security.

In addition to the insurance benefit, Wahiduzzaman, the Nagad distributor in Narail, will provide Tk 2,000 in monthly assistance to the family for one year, and Tk 4,000 annually until the deceased's son turns 10.

Gold price rises

REUTERS

Gold prices firmed on Monday, bolstered by a weaker US dollar, while investors sought clarity on trade developments ahead of an August 1 US tariff deadline.

Spot gold was up 0.5 percent at \$3,365.49 per ounce by 0751 GMT. US gold futures rose 0.5 percent to \$3,373.20.

"The modest support...comes from a weaker US dollar. With the tariff August 1 deadline coming closer, the market focus will be if trade deals are announced, or tariffs are implemented," said UBS commodity analyst Giovanni Staunovo.

The dollar eased 0.2 percent against a basket of other major currencies, making gold less expensive for their holders.

US Commerce Secretary Howard Lutnick said on Sunday he was confident the United States can secure a trade deal with the European Union, but August 1 is a hard deadline for tariffs to kick in.

Gold, often considered a safe-haven asset during economic uncertainty, tends to do well in a low interest rate environment.

The US Federal Reserve's next policy meeting is scheduled for July 29-30, following its decision to hold rates steady last month.

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২০২৫-২৬ অর্থবছরে নিম্নবর্ণিত কাজে ক্রমওয়ার কুর্তির ভিত্তিতে হিকানার জন্য পথক পুনঃবর্তন পত্র দ্বারা তাদের নিকট হতে পাবলিক প্রক্রিয়ান্তরে আইন ২০০৬ ও পাবলিক প্রক্রিয়ান্তর বিধিগ্রন্থ ২০০৮ এবং সংশোধনাগুরু এবং নীতিমালা অনুসরণ করে পুনঃবর্তনপত্র আবাবন করা যাচ্ছে।

১	মন্ত্রণালয়/বিভাগ	ব্যবস্থা মন্ত্রণালয়/জননির্বাপনা বিভাগ
২	সংস্থা	বাংলাদেশ পুলিশ
৩	ক্রম কর্তৃপক্ষ	আর্থিনিয়াল আইজি, হাইওয়ে পুলিশ, ৩৪ শাহজালাল এভিনিউ, সেক্টর-৮, উত্তরা, ঢাকা-১২৩০
৪	দরপত্র পক্ষতি	উন্নত পুনঃবর্তনপত্র পক্ষতি (গুরু)
৫	দরপত্রের অন্তর্ভুক্ত উদ্দেশ্য	জিওবি
৬	সিডিডি বিবরণের সর্বশেষ তারিখ ও সময়	০১/০৭/২০২৫ খ্রি. তারিখ অফিস চলাকালীন সময় পর্যন্ত
৭	দরপত্র দাখিলের সর্বশেষ তারিখ ও সময়	০৩/০৮/২০২৫ খ্রি. তারিখ বেলা ১২.০০ ঘটিকার মধ্যে
৮	দরপত্র দাখিলের তারিখ ও সময়	০৩/০৮/২০২৫ খ্রি. তারিখ বেলা ১২.৩০ ঘটিকা
৯	দরপত্র দাখিল সংস্থারে ঠিকানা	হাইওয়ে পুলিশ হেডকোয়ার্টার্স, ৩৪ শাহজালাল এভিনিউ, সেক্টর-৮, উত্তরা, ঢাকা-১২৩০
১০	দরপত্র জমা দেওয়ার ঠিকানা	হাইওয়ে পুলিশ হেডকোয়ার্টার্স, ৩৪ শাহজালাল এভিনিউ, সেক্টর-৮, উত্তরা, ঢাকা-১২৩০
১১	দরপত্র খোলা স্থান	সামুদ্রে অধিকারী পর্যায়ে
দরপত্র আইচেন্টের পর্যন্ত		
১	বিবরণ	দরপত্র আইচেন্টের মূল
২		টেক্স সিকিউরিটি (টিকা)
৩		কার্য সম্পাদনের মোড
৪	১ ব্যবস্থা মন্ত্রণালয়-কোড-৩০৫৬১০৩	৫০০/- (পাঁচশত টিকা)
৫	২ মুদ্রণ ও বাঁধাই (কোড-৩০৫৬১০২)	৫০০/- (পাঁচশত টিকা)
৬	ক্রীড়া সাময়ি (কোড-৩০৫৬১০১)	১০০০/- (পাঁচশত টিকা)
৭	ব্যবহার্পনা ব্যায় (কোড-৩০৫৬১০১০১)	১০০০/- (পাঁচশত টিকা)
৮	ব্যবহার্পনা ব্যায় (কোড-৩০৫৬১০১০১০১)	১০০০/- (পাঁচশত টিকা)
৯	ব্যবহার্পনা ব্যায় (কোড-৩০৫৬১০১০১০১)	১০০০/- (পাঁচশত টিকা)
১০	ব্যবহার্পনা ব্যায় (কোড-৩০৫৬১০১০১০১০১)	১০০০/- (পাঁচশত টিকা)
১১	ব্যবহার্পনা ব্যায় (কোড-৩০৫৬১০১০১০১০১০১)	১০০০/- (পাঁচশত টিকা)
১২	ব্যবহার আহানকারীর পর্যায় ও ঠিকানা	১০০০/- (পাঁচশত টিকা)
১৩	দরপত্র দাখিলের ঘোষণা	দরপত্র দাখিলের সময় পর্যন্ত
১৪	ব্যবহ	

Stocks rally for fifth day

STAR BUSINESS REPORT

The benchmark index of the Dhaka Stock Exchange closed higher yesterday, extending its gain for the fifth consecutive session.

The DSEX, the main index of the bourse, rose 25.59 points, or 0.49 percent, to settle at 5,219.62.

The other indices also gained before the end of the day's trading. The Shariah compliant DSES went up 0.84 percent to 1,467.77.

The DS30, comprising the blue-chip shares, increased 0.91 percent to close at 1,996.78. Turnover, a key gauge of investor participation, was Tk 860.70 crore, up from Tk 775.90 crore in the previous session.

A total of 240,676 trades were executed, while block transactions amounted to Tk 13.35 crore across 27 scripts.

Market breadth showed a mixed picture, with 117 stocks advancing, 224 declining, and 55 remaining unchanged. Among A category scrips, 85 gained, 103 lost, and 29 remained unchanged.

The B category saw 16 stocks rise and 60 fall, while one issue remained unchanged in the N category.

Segment-wise performance was mixed. In mutual funds, 4 issues advanced and 17 declined.

Corporate bonds saw just one issue advance, while the government bond market saw one issue advance and one decline. Among individual performers, Uttara Finance and Investments topped the gainers' list with a 10 percent rise, while Express Insurance was the worst performer, dropping 9 percent.

Japan's SMEs ready to adapt to Trump tariffs

AFP, Tokyo

because if American companies can't produce parts on their own, they have no choice but to import those parts regardless of tariffs," the descendant of the firm's founder said.

With 100 employees, Mitsuwa Electric is not a household name. But like millions of other SMEs that account for 99.7 percent of Japan's companies, it is world-class in its specialist niche.

It began making light bulb filaments and now produces coils, rods, needles, plates, pipes and wires for a range of goods including car lights, photocopiers and X-ray machines.

In 2022 it won a Guinness World Record for the smallest commercially available metal coil, with a diameter around half that of a human hair.

Mitsuwa's customers are across Asia, Europe and North America and include Japanese engineering

giant Toshiba and Toyota-affiliated parts maker Koito Manufacturing.

Miyazaki said the impact of US tariffs on the company's business is limited so far, with one auto sector customer asking it to lower prices. "All we can do is to adapt to any changes in the business environment," Miyazaki said.

Prime Minister Shinzo Abe has sent his tariffs envoy Ryosei Akazawa to Washington seven times since April to try to win relief from the tariffs.

US Treasury Secretary Scott Bessent was due to meet Abe and Akazawa on Friday in Tokyo.

But the prime minister's apparently maximalist strategy of insisting all tariffs are cut to zero have been criticised in some parts, especially as August 1 approaches.

US bound exports of Japanese vehicles – a sector tied to eight percent of Japanese jobs – tumbled around 25 percent in May and June.

Auditors, rating agencies fail

FROM PAGE B1

Despite the bank's worsening financial condition, its auditors, Shafiq Basak & Co and Rahman Mostafa Alam & Co, reported no issues in 2023. They said the consolidated balance sheet of the lender gave a "true and fair view".

But when the bank's crisis surfaced the following year, the same auditors issued a qualified, or "not clean", opinion for 2024, citing a Tk 49,000 crore provision shortfall.

Efforts to contact both audit firms were unsuccessful. Calls went unanswered, and emails sent about the bank's audit drew no response.

Jamaluddin Ahmed, chairman of Emerging Credit Rating Ltd, distanced himself from the ratings, referring inquiries to the company's management. Executive Chairman NKA Mobin also declined to comment specifically on the First Security Islami Bank case.

RATINGS INFLATED, RISKS BURIED

Auditors are required to verify a bank's financial statements, while credit rating agencies base their assessments largely on those audit reports. In theory, these two checks should paint a clear picture of a bank's health.

In practice, though, the same troubling pattern seen in the First Security case has played out across other banks, including National Bank, Social Islami Bank, Islami Bank, Union Bank, and Global Islami Bank.

For years, these lenders were given glowing audit reports and high ratings, even as they accumulated mountains of bad loans—problems only brought to light following last year's political changeover.

Islami Bank, the country's largest Shariah-based lender, made headlines for massive lending irregularities, funneling money to shell companies tied to the controversial S Alam Group.

Yet, neither audit reports nor credit ratings reflected the scale of the problem.

In fact, Islami Bank received the highest possible rating "AAA" from its credit agency, despite evidence of severe internal weaknesses.

Emerging Credit Rating Ltd also handled the ratings for Islami Bank and National Bank. Union Bank received an "A+" rating from Alpha Rating, while Global Islami Bank was given "AA" and Social Islami Bank "AA+".

All three of those banks struggled to return funds to depositors after the

fall of the Awami League government.

Attempts to reach Alpha Rating by phone failed. An email sent on July 16 went unanswered as of yesterday.

Khan Wahab Shafiqe Rahman & Co, which audited Islami Bank and Social Islami Bank in 2023, issued clean reports declaring the banks' financial positions "true and fair".

When asked about their failure to issue concerns, Mohammad Shaheed, senior partner at the firm, said the loans appeared regular during the audit period and only became classified later.

"We do not audit day-to-day activities. Banks are responsible for proper reporting," he said. Admitting auditors have limitations, he said, "An auditor alone cannot raise alarms without systemic support."

NOT SO INDEPENDENT

Independent directors are supposed to represent the interests of depositors and general clients. They have access to internal information and play a key role in ensuring that boards uphold integrity. In case of wrongdoing, they are expected to report it to the Bangladesh Bank.

If they cannot fulfil that duty, resignation could serve as a form of protest. Yet many now say they were under pressure to follow board directives.

Regarding the failure of independent auditors, The Daily Star contacted Jamaluddin Ahmed, chairman of Janata Bank and also an independent director.

Janata was once one of the most reputed lenders in Bangladesh, but its financial health started to slide downhill thanks to a series of loan scams involving AnonTex and Crescent Group.

Asked about his role under the previous government, he said, "We sent many objections to the central bank, but the regulator did not take action."

When asked to name one, he replied he could not remember any.

For listed banks, the Bangladesh Securities and Exchange Commission (BSEC) is tasked with reviewing financial reports. That layer of oversight has also been found wanting.

BSEC spokesperson Abul Kalam told The Daily Star that the commission's regulatory scope exceeds its current capacity.

However, he said some matters have already been referred to the Financial Reporting Council (FRC), which regulates audit firms, and some independent directors have been replaced.

ACCOUNTABILITY MUST NOT STAY MISSING

NKA Mobin, president of the Institute of Chartered Accountants of Bangladesh (ICAB), described auditors as the "fourth line of defence" in risk management.

He said auditors follow international standards, which rely on professional judgement and sample-based assessments rather than comprehensive checks.

Issues flagged during audits are generally resolved following Bangladesh Bank regulations.

Loan loss provisions, for instance, are usually determined through tripartite meetings between banks, auditors, and the central bank, and are often based more on regulatory guidelines than on IFRS 9 standards.

Mobin said during the tenure of the previous government, asset valuations were done according to regulatory instructions, not international benchmarks. "Now, under the current government, auditors can work more independently and follow international best practices," he said.

ICAB oversees audit firms, reviewing their work and imposing penalties when necessary. Disciplinary actions may include warnings, suspensions, or removal from membership.

Toufic Ahmad Choudhury, director general of the Bangladesh Academy for Securities Markets and former DG of the Bangladesh Institute of Bank Management (BIBM), stressed the need for accountability.

"The government must ensure the accountability of flag raisers. Otherwise, people will not receive fair judgment despite paying fees for auditing and ratings."

He added that in developed countries, investors and savers rely on audit and rating reports to make financial decisions. Until proper oversight is ensured, these services will fall short of their intended purpose.

Choudhury also called for better pay for auditing and rating firms. "Right now, firms are conducting audits and ratings at very low cost just to meet regulatory requirements," he said.

Md Sajjad Hossain Bhuiyan, chairman of the FRC, said the council and Bangladesh Bank are each investigating the role of auditors in troubled banks.

He expects the probe to conclude within a month, after which action will be taken.

Processed food exports slow

FROM PAGE B1

"This situation requires close monitoring. Exporters must now reassess their strategies based on new market dynamics," he warned.

Not all companies have been equally affected. Square Group, a major exporter of agro-products, has largely avoided the impact due to its focus on markets in the US and Europe.

Md Parvez Saiful Islam, COO of Square Food & Beverage Ltd, said, "Companies relying primarily on the Indian market have suffered the most due to the port restrictions."

Industry insiders also point out that, unlike the RMG sector, Bangladesh's agro-processing industry lacks large-scale, export-oriented factories with strong backward linkages and research and development capabilities—weaknesses that are now being exposed.

Without urgent reform, it says, Bangladesh risks not only massive revenue losses but also falling behind in global anti-money laundering benchmarks, inviting greylisting and higher transaction costs for its legitimate trade.

The research team was led by Shah Md Ahsan Habib, professor (selection grade) at BIBM, with contributions from Tofayel Ahmed, Anila Ali, Shah Alam Kazi, Md Mahmudur Rahman, and ATM Nesarul Hoque.

GD-1620

Rupali Bank's Q2 profit plunges 83%

STAR BUSINESS REPORT

Rupali Bank's profit plummeted in the second quarter of 2025 due to lower operating income.

The state-owned lender's profit declined 83 percent year-on-year to Tk 3.41 crore in the April-June quarter of 2025.

Its consolidated earnings per share (EPS) stood at Tk 0.07 for the quarter, down from Tk 0.42 (restated) in the same period a year ago, according to a price-sensitive information disclosure yesterday.

The bank attributed the profit fall to a decline in total operating income.

For the January-June period, Rupali Bank's consolidated EPS was Tk 0.20, compared to Tk 0.89 (restated) a year earlier.

Rupali Bank reported a substantial improvement in its cash management performance during the first half of the current year.

The bank's consolidated net operating cash flow per share (NOCFPS) soared to Tk 139.11, a significant rise from Tk 3.69 recorded in the corresponding period of the previous year.

The NOCFPS increased because deposits rose, the bank said.

As of June 30, the government owned 90.19 percent of Rupali Bank shares, institutions held 3.43 percent, and the public accounted for 6.38 percent, according to Dhaka Stock Exchange data.

IMF for keeping policy rate at 10%

FROM PAGE B1

The monetary policy is expected to be unveiled at the end of July.

The IMF said monetary policy should remain data-driven, and the BB should cautiously commence the easing cycle based on solid evidence that current and projected inflation is declining to the target range of 5.6 percent.

"For effective policy transmission, it is critical that retail interest rates continue to be set freely by banks, based on risk-return considerations, and that BB avoids unsterilised liquidity injections into weak banks that lead to excessive softening of government debt yields and, potentially, of broader financing conditions."

The multilateral lender, referring to the relaunch of the market-based exchange rate

regime in May this year, said the BB should stand ready to tighten monetary policy to increase the interest rate differential if significant overshooting of the exchange rate occurs amid shallow forex liquidity.

"Comprehensive and continuous implementation of the new exchange rate regime remains a crucial transitional step towards full exchange rate flexibility," said the IMF report released by the end of last month.

"It is essential for facilitating smooth external adjustment, preserving foreign reserves, and improving the functioning and liquidity of the FX market."

The IMF said exchange rate parameters should be set based on macro-fundamentals relative to a basket of currencies, with a daily operational exchange rate band set

against the US dollar.

"Banks should be permitted to quote freely in the FX market to facilitate a market-based exchange rate. To achieve this, BB must refrain from moral suasion of banks and avoid regulatory measures that restrict free quoting."

The Fund said forex interventions must be auction-based. "A transaction-based exchange rate for client and interbank markets needs to be published continuously."

The report said steady progress in modernising the monetary policy framework remains critical to ensure the transition to a forward-looking monetary policy.

"A two staged transition to a fully flexible exchange rate system and an interest-rate-based flexible inflation targeting framework is a priority," it added.

বীমা উন্নয়ন ও নিয়ন্ত্রণ কর্তৃপক্ষ

৩৭/এ, দিলকুশা বা/এ, ঢাকা

প্রশাসন-২ শাখা

প্রশাসন অনুবিভাগ

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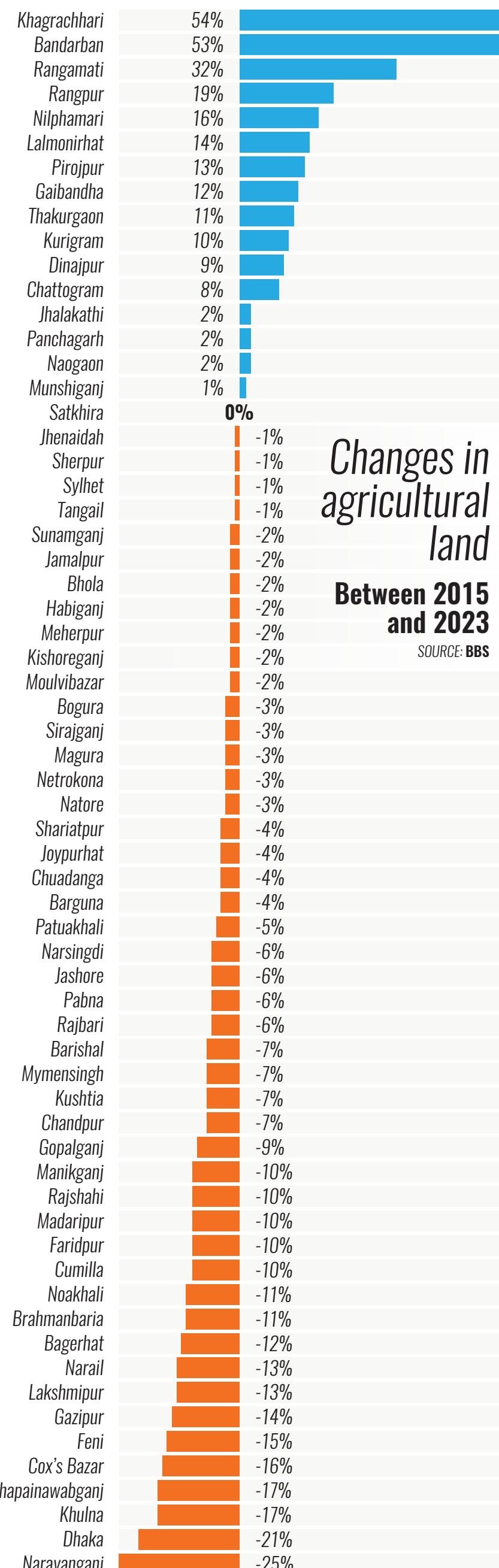
তারিখ: ২২/০৭/২০২৫

অডিট ফার্ম তালিকাভুক্তির বিজ্ঞপ্তি

বাংলাদেশে কর্মরত চার্টার্ড একাউন্টেন্টস ফার্মসমূহের নিকট হতে বীমা উন্নয়ন ও নিয়ন্ত্রণ কর্তৃপক্ষ (IDRA) কর্তৃ তালিকাভুক্তির নিমিত্ত আবেদন আহ্বান করা হচ্ছে। তালিকাভুক্ত ফার্মসমূহ দ্বারা বীমা আইন, ২০১০ এর আওতায়, বিশেষ নিরীক্ষাসহ (Special Audit) কর্তৃপক্ষের প্রয়োজন অনুযায়ী তদন্ত (Investigation), সম্পত্তি মূল্যান্বয় (Asset Valuation), কোম্পানী মূল্যান্বয় (Company Valuation)-সহ অন্যান্য কার্যক্রম পরিচালনা করা হবে।

(ক) আবেদনের যোগ্যতা: আবেদনকারীর নিম্নরূপ যোগ্যতা থাকতে হবে:

১. নিরীক্ষা ফার্মের অংশীদারগণ চার্টার্ড একাউন্টেন্ট হওয়ার পিছে ২, ১৯৭৩ (পি.২, ১৯৭৩) মোটাবেক (ক) বিদেশী অডিট ফার্মের সাথে এফিলিয়েশন আছে এবং এফিলিয়েশন ফেলো চার্টার্ড একাউন্টেন্ট থাকতে হবে অথবা (খ) বিদেশী অডিট ফার্মের সাথে এফিলিয়েশন ফেলো চার্টার্ড একাউন্টেন্ট থাকতে হবে;



**Changes in agricultural land
Between 2015 and 2023**

SOURCE: BBS

Farmland expands in 16 districts, defying national decline

SOHEL PARVEZ

Bangladesh is losing farmland. There are multiple reasons behind the shrinkage—from the construction of homes and the establishment of factories to the development of other facilities. This has caused many to call for the formulation of rules for the preservation of agricultural land so that the nation can produce its own food, especially staple rice.

But the loss of agricultural land is only part of the story. New land is also coming under farming, according to the Bangladesh Environmental Statistics 2024, released by the Bangladesh Bureau of Statistics (BBS) at the end of last month.

It says 16 districts recorded farming on an increased area of land between 2015 and 2023, even though the country lost 2 percent of agricultural land to other purposes during the period.

These lands are coming under farming. We see many orchards in the area now, and fruits such as dragon fruit, papaya, and pineapple are grown commercially there," he said.

Besides, a good portion of sandbars or char areas in the country's northwestern region—for example, Gaibandha district—was left uncultivated in the past. This was due to a lack of irrigation and agricultural technology there.

"Now, people in the char areas irrigate croplands using hose pipes. Farmers also store water for irrigation by making small reservoirs in these areas," he said.

"Various crops, namely pumpkins, are grown there now. So, the introduction of new agricultural technology has given an impetus to farming in these areas," he said.

According to the BBS data, nine districts in the northwest recorded an expansion of



Dragon fruit plants are seen at a farm in Jamchari village of Bandarban. Agricultural land in the district increased by 53 percent to 588 square kilometres in 2023 compared to 2015.

PHOTO: MONG SING HAI MARMA

As of 2023, Bangladesh had 72,915 square kilometres of agricultural land, having lost 1,470 square kilometres since 2015.

But during this period, Khagrachhari, a hill district in the southeastern region, saw the highest surge of 54 percent in farming area to 603 square kilometres in 2023, followed by Bandarban and Rangamati, two other hill districts.

In Bandarban, land under agricultural use grew by 53 percent to 588 square kilometres in 2023.

Rangamati registered a 32 percent increase in agricultural area to 521 square kilometres since 2015 as people in the hill tracts began to grow crops on lands that had remained fallow earlier.

Sarbottom Chakma, a resident of Khagrachhari, is one of them. Prior to 2015, he used to practise jhum, a traditional method of cultivation, on a fraction of his land and kept most of his land uncultivated.

He later began to focus on cultivation and gradually brought 25 acres of land under farming, encouraged by profits from crops.

"The lands were completely left unused. Now I have mango, banana, and orange orchards, apart from taro or taro roots," he said.

Like Sarbottom, many of his relatives expanded cultivation of commercially lucrative crops in the region.

Md Abdul Muyeed, a former director general of the Department of Agricultural Extension (DAE), said there are 700,000 hectares (one hectare equals 0.01 square kilometres) of fallow land in the hill tracts

land under agriculture.

Rangpur saw the highest expansion at 19 percent to 1,738 square kilometres in 2023 from that in 2015, followed by Nilphamari and Salmonirhat.

In the southern region, land under agricultural use increased by 13 percent in Pirojpur, followed by 8 percent in Chattogram and 2 percent in Jhalakathi.

Farmlands in the rest of the 48 districts declined. Narayanganj suffered the highest loss, followed by Dhaka and Khulna.

Land under agricultural use slumped 25 percent to 227 square kilometres in 2023 from 305 square kilometres eight years ago. Dhaka lost 21 percent of land, falling to 514 square kilometres in 2023, says the BBS.

Md Mamunur Rahman, chief scientific officer of the Soil Resource Development Institute (SRDI), said they found in a study that Bangladesh loses 0.73 percent of agricultural land annually to non-farm use.

"But overall agriculture has not declined because yields have increased," he said, suggesting a law to protect farmlands.

Food and Land Affairs Adviser Ali Imam Majumdar said, "We see a lot of farmlands being converted into fishery farms. Should we term those agricultural areas?"

He said a panel of four advisers has been formed to prepare a law for the protection of agricultural land, especially for cereal crops, and the advisers have given some inputs to the officials concerned for review.

"I expect that we can sit in the middle of August to discuss the law. We are a small country with a huge population. This is the main problem in Bangladesh," he said.

Embedded finance and the promise for CMSMEs

SALEKEEN IBRAHIM

Cottage, Micro, Small & Medium Enterprises (CMSMEs), although being key contributors to Bangladesh's national GDP growth, remain stifled by limited access to finance, markets, and digital tools. They operate in a landscape riddled with obstacles, including burdensome paperwork, high collateral requirements, and limited financial literacy. In such a context, embedded finance—a seamless integration of payments, lending, insurance, savings, and investment into non-financial platforms—could be a game changer.

Imagine a small clothing vendor doing business through e-commerce sites like Daraz or Plikaboo. Instead of visiting financial institutions, they could apply for a nano loan, insure their products, get logistical support to ship the product, or accept payment digitally—all from the same app where they conduct business operations. Embedded finance brings financial services to where businesses already are, rather than forcing entrepreneurs to navigate separate, unfamiliar systems.

This reduces friction, shortens the journey to financial inclusion, and empowers entrepreneurs to focus on growth rather than red tape. According to GlobeNewswire, the global embedded finance industry is projected to grow from \$817 million in 2024 to \$25.8 billion by 2029, at an annual rate of 48 percent. If Bangladesh can align with this global wave, CMSMEs here could be standing on the edge of a financial revolution.

The key factor for Bangladesh to make embedded finance feasible is to fill the gaps where entrepreneurship loses grip.

Access to credit remains the most pressing hurdle. Traditional banks, wary of lending to small, informal operators, demand high collateral. Embedded lending bypasses this by using customer behaviour and transaction data to assess creditworthiness. In some countries, platforms are also offering a "Buy Now, Pay Later" option, which has become widely popular with both buyers and sellers.

Although insurance penetration in Bangladesh is low, embedded insurance can change this by offering coverage while purchasing goods or services. For instance, logistics firms can offer automatic delivery insurance for CMSMEs. In countries like China, platforms often bundle insurance with product shipments, increasing confidence on both ends of the transaction.

Payment solutions are already gaining traction. With rising smartphone use and internet access, embedded payment solutions like QR code transactions, mobile wallets, and direct transfers are within reach for many. Bangladesh's National Payment Switch and Bangladesh Bank's Fintech Sandbox have laid the groundwork for wider adoption.

Embedded platforms can also help CMSMEs invest small amounts or set aside savings automatically from daily earnings. This model is seen in Kenya, where mobile money platform M-Pesa launched savings and loan products through M-Shwari, targeting micro-entrepreneurs.

For embedded finance to take root, both short-term and long-term strategies are needed. Pilot projects must be launched to test models and gather data. Fintech firms must collaborate, and digital literacy campaigns and merchant training should be prioritised. Simplified e-KYC (Know Your Customer) protocols will be vital.

In the longer run, Bangladesh must establish a user-friendly regulatory framework, ensure customer protection, and build robust open banking infrastructure. Digital identity systems and credit scoring models must mature. Policies should also consider mandating embedded insurance for key sectors such as agriculture, logistics, and food delivery for MSMEs.

Embedded finance holds the potential not only to democratise access to financial tools, but also to narrow the urban-rural divide and accelerate the growth of CMSMEs through proper inclusion. With the right alignment of policy, technology, and entrepreneurial will, it can power Bangladesh's ambition to become a developed nation by 2041.

The opportunity is not only financial—it's transformational. Now is the time to unlock it.

The writer is a senior banker

US can squeeze Russia without 'secondary tariffs'

REUTERS, Tino

Donald Trump does not need so-called secondary tariffs to crush Russia's oil revenues, currently running at \$160 billion a year. The US president's recent threat to sanction countries that buy oil from Moscow is full of pitfalls. He has a better way to cut the cash flow that fuels the Kremlin's war against Ukraine.

This would be to persuade India, Russia's second biggest customer, to stop buying its oil while convincing Saudi Arabia to pump more. Doing so would ensure global crude prices do not jump as Moscow's exports fall. The US could also effectively slash the price that Russia gets for its foreign oil sales—going even further than the cut the European Union agreed last week. Together these measures would heap more trouble on President Vladimir Putin's economy, which is already facing strains from a mounting budget deficit, slowing growth, rising bad debts and still high inflation.

What's the problem with going the whole hog and stopping all of Moscow's oil exports? That is what Trump's threat to impose secondary tariffs on countries that trade with Russia is designed to achieve. He said last week that, if Putin did not end the war in Ukraine in 50 days, he would slap 100 percent tariffs on US

imports from states that buy Russian exports.

Such blanket secondary tariffs would have so many drawbacks that financial markets do not believe Trump will carry out his threat. Russian equities and the

rouble rose after his comments, while the crude price fell—exactly the opposite of what would have happened if investors thought he was serious.

Putin's country is the world's third

biggest oil producer after the US and Saudi Arabia. It exported 7.2 million barrels a day of crude and refined products such as diesel in June for \$13.6 billion, according to the International Energy Agency (IEA), implying an annual rate of just over \$160 billion. Removing all this supply from the global market would push prices sharply higher. Among other things, that would hurt US consumers, damaging Trump's popularity.

Another problem is China, which bought almost a third of Russia's crude exports by volume from January to May, according to data from the Kyiv School of Economics Institute. Beijing is Moscow's most important ally. So if Trump slapped 100 percent tariffs on Chinese imports into the United States, he probably would not change its behaviour. He would merely further inflame a trade war with the world's second largest economy and push up inflation at home.

In theory, Trump could exempt China from secondary tariffs, while imposing them on other countries. India and Turkey, which respectively buy about a quarter and a tenth of Russian crude, would be the main targets. The president might have more luck twisting their arms. But a policy that penalised friendly countries while exempting the People's Republic, the United States' most serious long-term rival, would be geopolitical folly.

ECB expected to hold rates

AFP, Frankfurt

The European Central Bank is set to hold interest rates for the first time in almost a year when policymakers meet this week, despite concerns over the potential impact of higher US tariffs on the eurozone economy.

The 26 members of the ECB's governing council will meet just over a week before an August 1 deadline set by US President Donald Trump for the imposition of his government's punitive tariffs.

Trump has threatened to triple a basic tariff on imports from the EU to 30 percent if Brussels does not cut a deal by the end of the month, casting uncertainty over the future of transatlantic trade.

But the ECB was expected to hold tight on rates instead of preempting the outcome of negotiations, pausing a series of cuts that goes back to September.

The central bank has reduced its benchmark rate a total of eight times since June last year and at each of its last seven meetings, bringing it down to two percent.

The rapid reduction in rates has come as eurozone inflation has fallen back towards the ECB's two percent target from the double digit highs seen in 2022.

In June, eurozone inflation sat exactly on the ECB's target and was forecast by officials at the central bank to even out at two percent for the year.

The ECB would "almost certainly" leave interest rates unchanged" at the conclusion of its monetary policy meeting on Thursday, analysts from Italian bank UniCredit said in a note.

"The central bank will now want to have more clarity on the trade outlook before it considers adjusting its policy further," they said.



The photo shows an oil treatment plant in the Yarakta oil field in Irkutsk region of Russia, which is the world's third biggest oil producer after the US and Saudi Arabia.