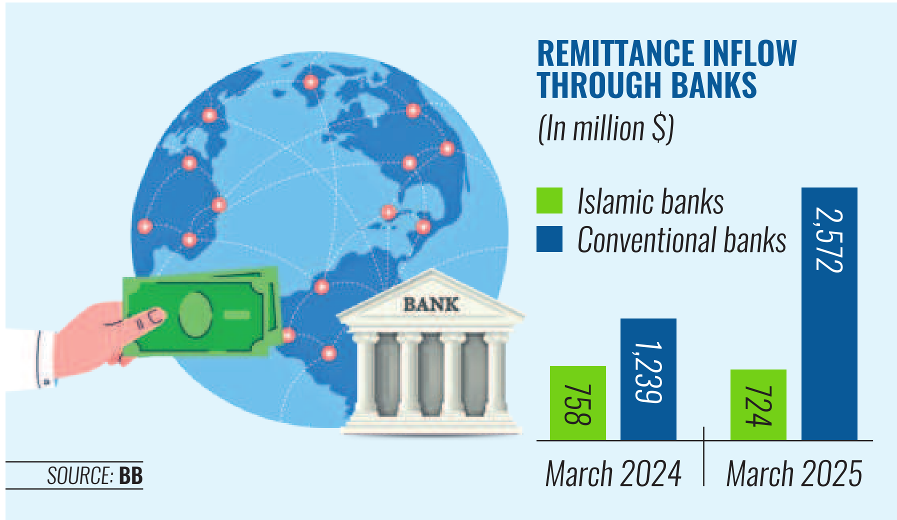
Islamic banks fall behind in remittance race

STAR BUSINESS REPORT

Bangladeshi nationals living abroad sent more money home in the twelve months to March this year compared with the same period a year earlier.

But many chose to avoid Shariah-based banks—once key players in channelling these funds—due to the institutions' fragile financial health, a severe liquidity crisis, and media reports of massive lending irregularities and mismanagement.

As a result, conventional banks, which had a greater need for US dollars and consequently offered more competitive remittance deals to expatriates, saw a steady inflow of funds, according to senior bankers.



According to Bangladesh Bank's Islamic Banking and Finance Statistics published last week, Shariah-compliant lenders handled just 22 percent of total remittances in March 2025, down from 38 percent in early 2024.

In absolute terms, remittances received through Islamic banks fell from $758 million in March 2024 to $724 million in March 2025. By contrast, conventional banks more than doubled their receipts from $1.24 billion to $2.57 billion, cementing their dominance.

In the report, the central bank noted that despite occasional upticks, remittance flows through Islamic banks remained mostly stagnant or declined.

Total remittances through all banks hit $3.29 billion in March 2025, the highest monthly inflow of the year. While Islamic and conventional banks both contributed, it was the latter that consistently captured the largest share, especially after the political changeover in August 2024.

The central bank report attributed the shift partly to declining confidence in Islamic banks among migrant workers, reportedly due to concerns over mismanagement.

This perception gap enabled conventional banks to capitalise on the opportunity by positioning themselves as more stable and efficient channels for remitting foreign earnings.

The fallout from the political changeover in August 2024, when irregularities in several Islamic lenders began to come to light, appears to have deepened the crisis for the Shariah-based lenders while creating opportunities for the conventional ones.

As per the BB report, Islamic banks now manage just over one-fifth of total remittances, compared with nearly two-fifths previously.

"This is because of their [conventional banks'] efforts to clear overdue import bills of state enterprises. Private banks also increased their efforts to attract remittances by offering new and better customer service," said a private banker preferring not to be named.

The downward trend for Islamic banks was also reflected in their deposit base.

Total deposits in the banking industry rose from Tk 17.89 lakh crore in March 2024 to Tk 19.51 lakh crore in March 2025, an increase of 9.07 percent. Islamic banks saw only a moderate 4.61 percent rise in deposits, from Tk 4.19 lakh crore to Tk 4.39 lakh crore.

In contrast, deposits in conventional banks grew from Tk 13.69 lakh crore to Tk 15.12 lakh crore, registering a 10.44 percent increase.

The market share of deposits for Islamic banks declined from 23.44 percent in March 2024 to 22.48 percent in March 2025, the BB report states.

The report pointed to mismanagement uncovered in the aftermath of the July 2024 unrest as a possible reason for depositors' waning trust in Islamic banks.

"This may be due to mismanagement by Islamic banks, which was detected in the aftermath of the July uprising. Consequently, depositors lost their trust in Islamic banks and thereby withdrew their deposits, which helped conventional banks' deposit base to grow," it states.

A similar pattern was observed in investments. Total banking sector investments rose from Tk 19.86 lakh crore in March 2024 to Tk 22.12 lakh crore in March 2025, registering an 11.39 percent growth.

Islamic banks increased their investments from Tk 4.94 lakh crore to Tk 5.53 lakh crore, marking a 12.01 percent growth, while conventional banks grew from Tk 14.92 lakh crore to Tk 16.59 lakh crore, marking an 11.19 percent rise.

However, the Shariah-based lenders' share of total banking sector investments declined. Conventional banks now account for around 75 percent of all such investments.

According to the BB report, while both banking segments expanded their investment activities, conventional banks played a more dominant role in supporting the economy.

Reform must come from within

DH CHOUDHURY

The banking sector in Bangladesh is at a crossroads. Non-performing loans, the near absence of corporate governance, weak risk management practices and a lack of accountability have all prompted urgent calls for reform. International models are often considered key solutions, and consultants from abroad are brought in as preferred advisers. Yet, the real strength of sustainable reform lies in the knowledge, experience and contextual understanding of local professionals.

Local professionals possess a deep grasp of local complexities. They hold first-hand knowledge of the political and economic dynamics, regulatory frameworks, banking practices, culture and customer mindset. They are also embedded within a rich web of formal and informal corporate knowledge.

These insights are essential in designing reforms that work in a local context. Imported models often fail, as they either overlook or fail to grasp local realities. In contrast, local experts bring an informed understanding of real-world dynamics, the advantage of language, and cultural intuition. These professionals come from banking, accounting, legal and financial sectors, and include both working and retired practitioners.

In such a complex environment, institutional memory and operational knowledge are vital. Professionals in Bangladesh have decades of hands-on experience and retain corporate memory, having witnessed the post-liberation asymmetrical banking boom, unstructured nationalisation of banks, the rise of private institutions and years of unchecked growth. They have also seen political interference in the central banking system, the stimulus loan fiasco during Covid-19, the self-serving agenda of bank owners and chairpersons under the Bangladesh Association of Banks (BAB), and the massive scams exposed after August 5, 2024.

Taken together, these episodes form a collective memory that cannot be replaced by textbook knowledge.

Hiring local experts is cost-effective and ensures long-term sustainability. Foreign consultants, by contrast, are often expensive and offer only short-term solutions. External models frequently provide ad hoc prescriptions. Local professionals, however, take ownership of reforms and can be retained for the long haul. Real reform demands committed leadership that remains accountable over time.

Engaging local experts also helps build public trust. Bank staff, customers and regulators are more likely to support reform when it is led by those who speak their language and share their realities. Empowering local professionals is a step towards self-reliance and national capacity-building.

This is not to say there is no role for foreign expertise. We support engaging international professionals for capacity-building, particularly when global best practices can be aligned with local insight. Bangladesh already has bankers, accountants, legal and financial experts of international standard, who can bridge global standards with local constraints.

In conclusion, banking reform must emerge from local needs. It should be rooted in institutional memory, guided by experience, and driven by professionals from within. While international collaboration has value, meaningful change can only happen when those who understand the past and are embedded in the nation's banking history are given the power to lead the way.

Engaging local professionals is not a lofty ideal. It is a practical step and the preferred national path forward.

The writer is a former banker. He can be reached at dhc707@gmail.com

City Bank's Q2 profit jumps 34%

STAR BUSINESS REPORT

City Bank PLC reported higher profits in the second quarter of 2025, driven by strategic investments in government securities that boosted its income.

The private commercial lender posted a profit of Tk 235.78 crore in the April–June quarter, marking a 34 percent year-on-year rise.

According to a disclosure published on the Dhaka Stock Exchange (DSE) website yesterday, its consolidated earnings per share stood at Tk 1.55 for the quarter, up from Tk 1.16 recorded during the same period last year.

The bank attributed the strong performance to its strategic investments in government securities, which significantly boosted its income.

This increase helped counterbalance a decline in net interest income and supported the coverage of rising operational expenses, City Bank said in the disclosure. Shares of the bank went up 3.38 percent to Tk 24.50 as of 12:42 pm on the DSE.

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Importing more soybeans from US could ease Trump tariffs

Regional director of US Soybean Export Council tells The Daily Star

REFAYET ULLAH MIRDHA

Increasing soybean imports from the United States could help narrow the trade gap between Bangladesh and its biggest single-nation apparel market, according to an American industry group.

And this may ultimately help ease the 35 percent additional tariff on Bangladeshi goods entering the US, said Kevin Roepke, regional director for South Asia and Sub-Saharan Africa at the US Soybean Export Council (USSEC).

Roepke, who also sits on the board of the US-Bangladesh Business Council, pointed out that while the US is the largest foreign investor in Bangladesh and the top export destination for Bangladeshi garments, its presence in agricultural trade remains limited.

In an interview with The Daily Star, he described soybeans and soybean meal as the "lowest-hanging fruit" for reducing the $6 billion trade gap. "Just soybeans and soybean meal alone could account for $1 billion in trade annually," he said.

Currently based in Dubai, Roepke came to Dhaka last week to visit local soybean crushing mills and meet with millers, importers and traders, as imports of US soy products continue to rise.

This year, imports of soybeans and soymeal from the US have already crossed $450 million, up from $348.9 million in 2024.

According to Roepke, local traders are

Kevin Roepke

preferring US soybeans due to competitive pricing and higher quality.

Still, he believes there is room for improvement.

"Why isn't the US the largest supplier of soybeans to Bangladesh? It is a fundamental question when the US is already your biggest investor and export market," he said.

Bangladesh's soybean market is worth more than $2 billion. In 2024, local traders imported 700,000 tonnes of soybeans and 150,000 tonnes of soymeal from the US.

Expressing optimism about future exports, the USSEC executive called on the private sector to play a more active role in ongoing trade talks and urged policymakers to treat soy as a strategic commodity in efforts to rebalance trade between the two countries.

"US soy should be the foundation," said Roepke, noting that soy is currently the top US agricultural export to Bangladesh by value.

"We peaked in 2019–2020. While sales are slightly up this year, the long-term trend is downward. That is concerning," he said.

Asked about freight costs, Roepke dismissed it as a key issue. "Freight charge is not the issue, it is the quality," he said.

"US soy is the gold standard in the industry. It has the lowest damage, the driest quality, and the highest digestibility for poultry. Our soy is grown with zero deforestation, making it the most sustainable option, which aligns with Bangladesh's climate priorities."

Roepke, who holds an MBA from the Massachusetts Institute of Technology (MIT), added that agricultural trade decisions are driven by business-to-business links rather than government-level deals.

This makes the role of Bangladeshi importers, feed millers and processors critical. "We are here to listen to the private sector, not dictate. The government may set the tone, but the industry drives the action. That is why we have had a presence here since 1996."

He also called for the soybean and livestock feed sectors to be provided with equal

READ MORE ON B2

EU's lopsided Trump trade deal will be short-lived

REUTERS, *Berlin*

European Union trade negotiators may promptly celebrate the success they have achieved by clinching a deal with Donald Trump. If so, the question should be: If that passes for success, what would failure have looked like?

Financial markets and European captains of industry will doubtless heave a sigh of relief at the agreement, announced on Sunday by the US president and his European Commission counterpart Ursula von der Leyen. The continent's main exporters can base their investment and commercial plans on the 15 percent levy on US imports accepted by the Commission.

That's much lower than the 30 percent charge on European goods Trump had promised to impose on August 1 in the absence of a deal, which in turn was less than a previous 50 percent threat. Importantly, the rate applies to European cars, which join Japanese-made vehicles in escaping the 25 percent charge on US auto imports, and to the continent's pharmaceuticals and semiconductors, which may have otherwise faced punitive sector-specific treatment. The deal also enables the Europeans to shelve counter-tariffs and other measures they had lined up. Some degree of uncertainty has at least been dispelled.

Nevertheless, the tariff level still amounts to capitulation by Brussels. It must be compared not to Trump's threats, but to the 1.47 percent average rate previously applied to European goods crossing the Atlantic. Only two months ago, several EU governments were warning, that a 10 percent across-the-board charge, similar to what the UK had obtained, would be a red line that should trigger some form of response.

In addition to the added trade friction, the EU has also promised to import more energy – spending $250 billion a year on American oil and gas – and could invest some $600 billion stateside. That, at least, is Trump's interpretation of the deal. It's unclear whether these figures represent incremental amounts, or what time frame the president had in mind. Fuzzy as they are, these EU pledges at least do not look very binding.

Yet the vague agreement also suggests Sunday's announcement is unlikely to be the last word. Even at the lower rate, the tariffs will hurt the US economy. They will either bring much-needed revenue — a source of pride for Treasury Secretary Scott Bessent – or shrink imports. But they cannot achieve both at the same time. And if EU businesses do crank up investment in the US, the resulting capital flows will be to the detriment of the trade balance. All this means the EU's trade surplus with the US, which reached 198 billion euros in goods last year, partly offset by a 109 billion euro deficit on services, may not shrink much in the coming years.

When the impulsive and unpredictable president can no longer deny the destructive impact of his tariffs, he will be tempted to yet again blame US trade partners. It's puzzling that the EU, the world's largest trading power, has failed to grasp that the best way to fight bullying is to stand your ground.

The United States struck a framework trade deal with the European Union on July 27, imposing a 15 percent tariff on most US imports of EU goods but averting a spiralling battle between two blocs which account for almost a third of global trade.

"I think this is the biggest deal ever made," US President Donald Trump told reporters after an hour-long meeting with European Commission President Ursula von der Leyen, who had travelled for talks at his golf course in western Scotland.

The 15 percent tariff applies to European automobiles, Trump said, mirroring part of the framework agreement the United States agreed to with Japan. Trump said a 50 percent rate on steel and aluminium would remain in place, but von der Leyen said the tariff would be cut and a quota system put in place. Von der Leyen said the 15 percent tariff would also apply to semiconductors and pharmaceuticals, which are the subject of sector-specific investigations by the US.

Von der Leyen said the two sides had both agreed to eliminate all tariffs on certain products including aircraft and components, certain semiconductor equipment, and agricultural goods.

The deal includes $600 billion of EU investments in the US and "significant" EU purchases of American energy and military equipment. Von der Leyen said the EU would acquire oil, liquefied natural gas and nuclear fuel worth $250 billion per year for three years.

Trump had on July 12, threatened to apply a 30 percent tariff on imports from the EU starting on August 1. "15 percent is not to be underestimated but it is the best we could get," von der Leyen said.

US President Donald Trump (right) shakes hands with European Commission President Ursula von der Leyen after agreeing on a trade deal between the two economies following their meeting in Turnberry, south west Scotland, on July 27.

PHOTO: AFP