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Yunus urges Malaysians to invest in Bangladesh

DIPLMATIC CORRESPONDENT

Chief Adviser Prof Muhammad Yunus yesterday urged Malaysian investors to invest in Bangladesh, saying that the interim government had taken a series of measures to create a business-friendly environment.

"Business did not proceed in Bangladesh in the past the way I thought was possible," he said, insisting that many things are emerging in a "new" Bangladesh, and one of those is business possibilities.

He made the remarks while addressing a business forum on trade and investment opportunities between Bangladesh and Malaysia in Kuala Lumpur, the Chief Adviser's Office said in a statement.

"Bangladesh is trying to become business-friendly in every possible way... I found an unlimited prospect in changing Bangladesh," he said.

"Bangladesh offers young people, creative people," said Yunus, urging investors to take advantage of the young Bangladesh diaspora in many countries.

Referring to young Bangladeshis living abroad, he said they always have the hunger to do something for Bangladesh.

Chowdhury Ashik Mahmud Bin Harun, executive chairman of Bangladesh Investment Development Authority (Bida) and Bangladesh Economic Zones Authority (Beza), explained the competitive advantages

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Export target set at \$63.5b, eyeing US tariff advantage

REJAUL KARIM BYRON and JAGARAN CHAKMA

The government has set a high export target of \$63.5 billion for fiscal year (FY) 2025-26, hoping to boost shipments to the United States by capitalising on Bangladesh's favourable position under the new US tariff regime.

Despite failing in the last three years, exporters are hopeful of achieving the target this time if the existing challenges, such as energy shortages, banking issues and customs hurdles, are resolved.

Of the total target, \$55 billion is expected from goods exports, a 13.4 percent increase over last year, while services exports aim for \$8.5 billion, marking an 18.7 percent rise, according to data from the Ministry of Commerce.

THE TARIFF BOON

While unveiling the export target at a press conference yesterday, Commerce Adviser Sk Bashir Uddin linked the ambitious goal to Bangladesh's advantageous US tariff status.

Under the new tariff regime announced by the Trump administration, Bangladesh enjoys a competitive edge in the American market, with an average tariff rate of 36.5 percent, comprising the newly imposed 20 percent reciprocal tariff added to the existing 16.5 percent.

This is considerably lower than many competing countries, some of which face tariffs as high as over 60 percent, providing Bangladesh a clear opportunity to expand its exports in the face of mounting protectionism elsewhere.

"We are actively negotiating to reduce non-tariff barriers and tariff rates, aiming to bring down duties from 20 percent to 15 percent or lower in many categories," the adviser said.

The adviser noted that many tariff lines, particularly for food items, already stand between zero and 1 percent. "These

Key facts

Favourable US tariff regime, duty cut talks

Target achievable if bottlenecks cleared

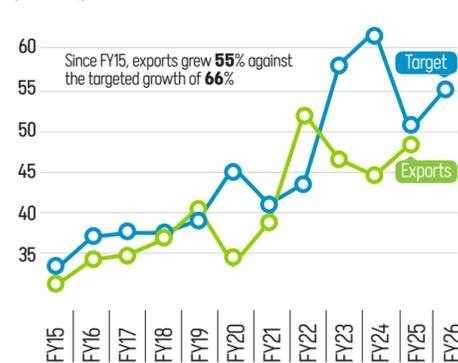
Challenges

Gas shortage, banking issues key

Customs delays, unstable law & order, high dependence on a few markets

Bangladesh's goods exports against target

(in billion \$)



SOURCE:EPB

efforts aim to reduce the trade deficit with the US without undermining the economy's resilience."

On agricultural goods, particularly onions, the adviser said Bangladesh has not imported for a long time due to strong local production, though limited imports may be considered if necessary.

He noted that last fiscal year's high growth came from sustained efforts, including diversification, though more work remains both within the garments sector and in promoting non-traditional items.

US MARKET POTENTIAL THERE, BUT...

Industry insiders and experts, however, say there are several unresolved factors that would determine Bangladesh's export potential to the US.

"There are many challenges ahead," he said. "But... we believe we can do better than before," said AK Azad, chairman and managing director of Ha-Meem Group, one of Bangladesh's largest exporters to the US.

However, he noted that since the imposition of higher tariffs by the Trump administration, many buyers have reduced volumes and pushed for lower prices.

"Part of the tariff cost is being passed on to us, and part is being absorbed by the buyers. The government's ability to navigate these tariff negotiations will heavily influence whether we meet or exceed the target," the exporter said.

Azad also warned that problems like power shortages and political unrest could hurt export growth.

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Onion imports to be eased, says Bashir

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Commerce Adviser Sk Bashir Uddin has announced that permission will be granted to import onions in order to reduce prices in the local market.

He shared the information at a press conference held at the secretariat in Dhaka yesterday.

Within the span of a week, the retail price of onions in the market has increased by Tk 20 to Tk 25 per kilogramme.

Currently, local onions are being sold at retail for Tk 75 to Tk 90 per kg, depending on the variety.

The adviser said onions will be imported based on demand and supply, and businesses will be allowed to bring in the bulb not only from India but from any country they want.

"We will import onions from wherever we can get them at a lower price. We will import only as much as is necessary to bring prices down. There is no specific country fixed for this," he said.

However, the dates and quantities of the imports have not yet been announced.

Onion prices increased at the production level as a significant amount held by farmers was spoiled due to improper storage.

During the same period last year, the price of the vegetable was even higher, Tk 110 to Tk 120 per kg, according to data from the state-owned Trading Corporation of Bangladesh.

Although over 39 lakh tonnes of onions will be produced this season, the country would need to import another 6-7 lakh tonnes to cover post-harvest losses, according to estimates from the Department of Agricultural Extension.

Financial reforms show the way

Economists upbeat on short-term progress, say full recovery may take time



MD MEHEDI HASAN

In August last year, when the current governor took charge of the central bank, basic banking services were in turmoil. In parts of Dhaka, ATMs were out of service, and some cash-strapped banks were unable to honour cheques for as little as Tk 5,000.

Videos of angry depositors clashing with bank staff made the rounds on social media.

All the indicators were in red. The foreign exchange reserve was dwindling, the taka's value was volatile, and public confidence in banks was at its lowest in years.

Twelve months later, the picture has changed. The currency has stabilised, reserves are edging up, and merger plans are afoot after major board shake-ups at more than a dozen troubled banks.

Economists now describe the progress as "encouraging" and "visible" compared with other sectors, crediting the interim government's financial reform measures.

The sector's fragility came under the spotlight after the fall of the Awami League government on August 5 last year. The interim government responded with wide-ranging measures as evidence of long-buried anomalies during the previous 16-year rule continued to surface.

Politically connected businesses and individuals had siphoned off vast sums, leaving about a dozen banks on the brink of collapse.

In December last year, a white paper on the state of the economy published by a panel of economists estimated distressed banking assets worth Tk 675,030 crore — more than the cost of building 22 Padma Bridges.

Non-performing loans (NPLs) reached a record Tk 420,335 crore by March this year, up sharply from Tk 211,391 crore in June 2024. The paper also estimated that around \$16 billion was illicitly transferred out of the country each year during Sheikh Hasina's "corrupt autocracy".

Bangladesh Bank Governor Ahsan H Mansur, a former IMF economist who assumed the role after the political changeover, estimated that \$18-20 billion had been laundered from the banking system alone.

BANK BOARDS SHAKEN UP

Last year, the central bank dissolved

the boards of 14 commercial lenders, many previously dominated by the S Alam Group and other politically influential players. The list includes Islami Bank Bangladesh, First Security Islami Bank, Social Islami Bank, Global Islami Bank, Union Bank, Al-Arafah Islami Bank, Bangladesh Commerce Bank, National Bank, United Commercial Bank, IFIC Bank, EXIM Bank, NRB Bank, NRBC Bank and Meghna Bank.

To ease a liquidity crunch, the banking regulator injected more than Tk 50,000 crore into weak banks.

Three taskforces were formed. One for banking reform, another to strengthen the central bank, and a third to recover laundered assets. The Asian Development Bank and World Bank approved support for these efforts.

Takeaways

14 bank boards dissolved due to irregularities, scams

Audits show NPLs at 6 banks four times higher than reported

Remittances hit record \$30b in FY25, shoring up reserves

New laws being drafted for distressed assets, e-money

Long-term reforms recommended for sustained gains

The Banking Reform Taskforce introduced the Bank Resolution Ordinance 2025, empowering the central bank and government to take over troubled lenders, transfer shares to state entities, appoint administrators and create bridge banks.

A new Bank Restructuring and Resolution Unit has been set up at the central bank to implement these measures.

A joint taskforce of the Anti-Corruption Commission (ACC), National Board of Revenue (NBR) and Criminal Investigation Department (CID) is investigating 10 major business groups and family members close to the former prime minister over alleged money laundering and other offences.

Currently, the ACC is leading the probe, while the Bangladesh Financial Intelligence Unit (BFIU) is providing secretariat support.

GLOBAL AUDITS EXPOSE DEEPER LOSSES

In January, global audit firms Ernst & Young and KPMG were appointed under an ADB-funded initiative to assess the asset quality of six banks.

The lenders are First Security Islami Bank, Exim Bank, Global Islami Bank, Social Islami Bank, ICB Islamic Bank and Union Bank.

The audits showed that these six banks were in severe financial distress, with NPLs four times higher than reported earlier. Based on these findings, the central bank decided to merge five of the lenders under the Bank Resolution Ordinance, excluding ICB Islamic Bank due to foreign investment.

In the second phase, 11 more banks, which were hit by irregularities and scams during the Awami League government, will undergo asset quality review.

The banks are Islami Bank Bangladesh, Al-Arafah Islami Bank, National Bank, Bangladesh Commerce Bank, United Commercial Bank, IFIC Bank, AB Bank, Premier Bank, NRB Commercial Bank, NRB Bank, and Meghna Bank.

RESERVES RISE ON REMITTANCE TONIC
Remittance inflows have jumped since the fall of the Hasina government, topping \$30 billion for the first time and rising by a record \$6.4 billion in the fiscal year 2024-25.

Industry insiders attribute this to a narrower gap between official and informal exchange rates and tighter anti-money laundering measures following the political changeover.

This inflow, combined with improved export performance, has helped the central bank shore up reserves and ease pressure on the foreign exchange market, which had been unstable for over two years.

The taka has stabilised under a more flexible exchange rate system introduced after the IMF recommendation.

In late July, reserves stood at \$24.98 billion, up from \$20.98 billion a year earlier, according to Bangladesh Bank data.

In October last year, the central bank raised its policy rate to 10 percent, the 11th consecutive hike since May 2022 and the fifth that year, to blunt the brutal inflationary curve.

Inflation has eased slightly, dropping to 8.48 percent in June from 9.05 percent in May, falling below the 9 percent mark for the first time in more than two years.

However, private sector credit growth was just 6.40 percent in June, the lowest in recent years.

TIGHTENING RULES

After the formation of the interim government, the banking regulator initiated amendments to several regulations and acts.

The BB is now working to amend the Bank Company Act 1991 (Amendment-2023) and the Bangladesh Bank Order, 1972.

Besides, it is working to introduce a Distressed Asset Management Act; an Islamic Banking Act; and regulations for E-Money Issuers in Bangladesh-2025.

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Political parties agree to continue financial reforms

Says finance adviser

STAR BUSINESS REPORT

Finance Adviser Salehuddin Ahmed said they have engaged with political parties about reforms in the banking and financial sectors, and the parties have broadly agreed to support and carry forward these initiatives.

The interim government wants to complete short-term reforms by February next year, while mid and long-term reforms will be carried out by the next elected government, he said.

"We are in contact with them. They will continue the good work; they cannot simply set these aside. If that does not happen, you [journalists] will be there to hold them accountable," he told journalists at the Secretariat yesterday.

On banking sector reforms, Ahmed said no one would be able to completely disrupt the system because strong checks and balances are in place.

"If anyone tries to take over a bank like during the previous regime, it will not be possible. Depositors themselves will speak up and refuse to keep their money in that bank," he added.

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Asked about the number of banks to be merged, he said details would not be disclosed yet to avoid harming those banks. "Some banks will be merged in a rational manner."

The Bangladesh Bank (BB) has been conducting an asset quality review of 17 banks. The interim government plans to merge around five of them, with the rest to be merged under the elected government.

The World Bank and Asian Development Bank have offered more than \$2 billion in support, but they seek assurance that the next government will continue the interim government's initiatives.

In response to a question about recovering laundered money, he said some efforts have begun, but results may take time, as those involved are very cunning.

He added that 11 sensitive cases have been identified, and most of the funds have been traced. Mutual Legal Assistance requests have now been made to recover the money.

"The most important message of our initiatives is that beyond recovering the money, a clear warning has been sent for the future, that if such corruption occurs under the next government, strict action will be taken against the perpetrators," he said.

He said that when they took office, the country's financial situation was on the brink of collapse, almost in the ICU.

"There was high inflation, low reserves, and rampant plundering of banks. Banks were looted like never before in the world. In one bank, 95 percent of loans had

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