



## First Security Islami Bank paying staff from depositors' funds

### Shows BB document

MD MEHEDI HASAN

The financial health of First Security Islami Bank PLC has turned so dire that it is now paying staff salaries directly from depositors' money, according to a Bangladesh Bank (BB) document.

The report said that the commercial lender's operating income -- the revenue generated from its core lending and investment activities -- was insufficient even to meet payroll costs, let alone cover broader operating expenses.

The bank recorded a negative operating income of Tk 4,308 crore, while its salary and allowance expenses stood at Tk 652 crore as of December last year, according to the BB document.

This meant staff pay was being drawn from depositors' funds, as per the central bank.

As of last year, the bank posted a net loss of Tk 5,450.15 crore, while total operating expenses stood at Tk 1,051.61 crore, the document showed.

Key profitability indicators also fell, with return on assets dropping to negative 7.87 percent and return on equity to negative 451.12 percent.

On August 26, the central bank wrote to the bank's chairman, saying that a BB inspection found "serious governance failure".

The letter said investments were approved on the basis of fabricated documents and flawed assessments, while due diligence was ignored.

The BB letter identified controversial conglomerate S Alam Group as the ultimate beneficial owner (UBO) of many investments, adding that the business group was involved in fund embezzlement.

The UBO is a natural person who ultimately owns or controls a legal entity, such as a company, even if they are not the formal owner.

"In short, the governance crisis of the bank appears to be epidemic, ranging from regulatory violations, misuse of Islamic banking principles, falsification of documents and embezzlement of funds, and

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## Hit by US tariff uncertainty, exports slip 3% in Aug



REFAYET ULLAH MIRDHA

Bangladesh's export earnings witnessed a slight dip in August as garment shipments to the United States, its largest market, slowed under a new tariff regime introduced by the Trump administration.

According to latest data from the Export Promotion Bureau (EPB), merchandise exports fell by 3 percent year-on-year to \$3.91 billion in August.

The overall picture for the fiscal year's first two months, however, remains stronger. In July-August, total exports rose by 11 percent from a year earlier to \$8.68 billion.

Garments, which account for more than four-fifths of national export earnings, dragged down the performance. Apparel shipments fell by 4.5 percent year-on-year to \$7.13 billion during the two-month period. Within this, knitwear exports dropped 6.34 percent to \$3.94 billion, while woven garments fell 2.65 percent to \$3.18 billion, EPB figures show.

The weakness followed earlier declines. In June, garment exports fell 6.31 percent,

contributing to a 7.55 percent overall drop in shipments that month. By contrast, July brought strong growth, when exports reached a 32-month high with garment exports up 24.7 percent and total exports up 24.9 percent.

The volatility in the apparel sector stems from adjustment to the new US tariff structure. In April, the Trump administration imposed a 37 percent tariff on Bangladeshi garments, later revised to 20 percent after lengthy negotiations.

Exporters said the uncertainty during the negotiation period prompted many American buyers to adopt a wait-and-see approach until early August. The disruption compounded the seasonal slowdown during the long Eid holiday, when factories paused production and shipments.

The US is the single largest export destination for Bangladesh and the local exporters ship more than \$8.2 billion worth of garment to the American markets in a year.

Exporters are hopeful that the garment export will grow to the USA under the favourable duty structure compared with the

competing countries such as India and China, which face a 50 percent and 30 percent, reciprocal tariffs, respectively.

"Exporters had front-loaded shipments earlier at the previous 10 percent baseline tariff, which helped boost July's figures" said Md Shehab Udduza Chowdhury, vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). In August, the uncertainty led to a slowdown.

"However, international retailers and brands, especially from the US, are now returning with a good volume of work orders after the tariff rates were finalised by the Trump administration," he added. "It is expected that garment shipments will rebound soon."

Meanwhile, several other sectors performed better in July-August. Exports of jute and jute goods, cotton products, home textiles, frozen fish, agricultural produce and plastics all grew.

"Particularly, jute and jute goods have made a good recovery, logging nearly a 9 percent increase, breaking a continuous trend of decline.

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## Govt issues revised ordinance on NBR split, abolition

STAR BUSINESS REPORT

The government has issued a revised ordinance on the split of the National Board of Revenue (NBR) into two separate divisions paving the way for revenue officials to head the top and senior positions of the Revenue Policy Division.

Now, officials with experience working on the macroeconomy, trade policy and planning can serve as the secretary of the Revenue Policy Division, one of the two divisions that will be formed after the dissolution of the National Board of Revenue (NBR) as per the new law issued last night.

In the original ordinance issued on May 12 as part of revenue system reforms, there was an ambiguity on whether the officials from tax and customs cadres would be given priority for the position of secretary, one of the major areas of contention that ignited huge protests in the revenue administration, crippling mainly import and export-related activities by the end of June.

The ordinance, which will also abolish the NBR, will be effective based on the date fixed by the government, according to the revised law.

The government has

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## Urban poor largely left out of social protection

STAR BUSINESS REPORT

Even though urban poverty and vulnerability continue to rise, towns and cities account for only one-fifth of the total beneficiaries of government social protection schemes, according to a paper presented at a national conference on social protection yesterday.

Besides, nearly half of extremely poor households in the country receive no social protection benefits. The exclusion rate for extremely poor households in urban areas is nearly 64 percent, much higher than the national average.

"This leaves the urban poor and vulnerable groups underrepresented in the safety net schemes," said Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), presenting the paper at the National Social Protection Conference at the Bangladesh-China Friendship Conference Centre in Dhaka.

The Cabinet Division and the General Economics Division hosted the event with assistance from Australian Aid and UNDP.

Razzaque said Bangladesh's social protection programmes remain heavily rural-focused despite rapid urbanisation and the continuous influx of people into cities.

For instance, education stipends at both the primary and secondary levels overwhelmingly benefit rural households. The same is true for allowances targeting widows, deserted women, persons with disabilities, and elderly citizens. In most of these schemes, more than 80 percent of recipients are rural, he added.

The exceptions are pensions for

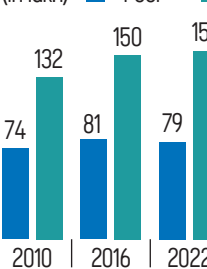
### KEY POINTS

Only **20%** of all social protection beneficiaries are from urban areas

Nearly half of the **(48%)** of extremely poor households do not receive any social protection

### Number of poor and vulnerable people in urban areas

(In lakh)



SOURCE: BBS AND RAPID



retired government employees and allowances for freedom fighters, where urban households have a larger share compared to other programmes. Even then, rural beneficiaries remain significant, he said.

"Historically, social safety nets in Bangladesh were originally designed to reduce rural poverty, hunger, and vulnerability stemming from natural disasters. However, with growing challenges of joblessness, housing insecurity, and rising living costs in cities, the lack of urban-focused safety nets is increasingly seen as a policy gap."

Razzaque said there are about 23 schemes specifically designed for the urban poor, but they accounted for just 4 percent of the total social protection budget in the last fiscal year.

In comparison, about 50 programmes designed for rural areas only accounted for 27 percent

of the total social protection budget. The rest of the schemes cover both rural and urban areas.

A substantial share of poor and vulnerable households remains entirely excluded from social protection programmes, he said.

"The poverty impact of social protection is low due to the lower level of benefits and targeting errors," said Razzaque, urging the government to take effective steps to eliminate the errors.

Mohammad Khaled Hasan, additional secretary of the Cabinet Division, said the government is planning several steps to include the urban poor under social safety net coverage.

At the event, Md Rezaul Maksud Jahedi, secretary of the Local Government Division, said, "We have 560 urban centres, including 330 municipalities and city corporations.

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## Commercial court law to be drafted within a month

### Secretary says

STAR BUSINESS REPORT

The government will draft a law to establish a commercial court within a month to ensure the speedy resolution of commercial cases and business-related disputes, Commerce Secretary Mahbubur Rahman said yesterday.

"The process of establishing a commercial court is ongoing," he told a seminar on advancing dispute settlement and contract enforcement for businesses, organised by the Dhaka Chamber of Commerce and Industry (DCCI).

His remarks came as businesses complained that foreign investors show a lack of confidence in investing in Bangladesh due to the lengthy procedure for resolving commercial cases.

Rahman noted that Bangladesh is one of the most densely populated countries, resulting in a growing number of court cases and intolerable judicial delays.

"If trade-related disputes can be resolved outside traditional courts, it would substantially reduce pressure on the judiciary and improve the overall business climate," he said.

Michael Miller, ambassador and head of the European Union

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## Govt seeks Interpol red notice against owners of 3 RMG factories

STAR BUSINESS REPORT

The government has requested Interpol to issue red notices against the owners of three garment factories accused of failing to pay workers' wages and remaining abroad for extended periods, among other allegations.

Those accused are TNZ Group Managing Director Shahadat Hossain Shamim, Dird Group Chairman Itemad Ud Daulah and its Managing Director Nabeel Ud Daulah, and Roar Fashion Ltd Managing Director Mamunul Islam, according to a statement issued yesterday by the Ministry of Labour and Employment.

The initiative follows cases filed with the labour court in Gazipur and the first and third labour courts in Dhaka.

The development came more than four months after Labour and Employment Adviser Brig Gen (ret'd) M Sakhawat Hussain warned that they would request the home ministry to issue red alerts against the fugitive owners of six garment factories for failing to clear workers' dues.

In the statement issued yesterday, Hussain said the steps have been taken to bring the accused back to the country and ensure payment of workers' outstanding wages and benefits.

"We are determined to protect the rightful interests of workers. We will be strict against those who act unjustly towards workers. Cases against them for labour rights violations and related legal complaints are ongoing," he said.

The labour ministry, based on its request to issue red notices against the factory owners or managing directors, said police headquarters had formally requested the Interpol authorities through a letter.

On this matter, Lutfy Siddiqi, special envoy to the chief adviser on international affairs, said non-cooperation or negligence by factory owners regarding workers' rightful entitlements will not be tolerated.

"There must be consequences for such actions," he said.

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