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Star BUSINESS

Businesses blast NBR over harassment

STAR BUSINESS REPORT

Business leaders at a hearing at the National Board of Revenue (NBR) headquarters in Dhaka yesterday expressed frustration over irregularities, harassment and alleged extortion by field-level revenue officials.

At the "Meet the Business" programme hosted by the revenue board, representatives from trade bodies across the country also accused the revenue board of obstructing growth.

They complained about the non-adjustment of advance income tax (AIT), high turnover tax on small firms and legal harassment by customs and port officials.

"NBR officials file false cases against exporters and importers," said Nasir Khan, managing director of Jennys Shoes.

The footwear exporter said that when the High Court clears companies of false cases, no action is taken against the revenue officials responsible. "Under Bangladesh law, filing a false case is a crime. If someone files a false case, why are they not punished?" he asked.

Criticising the treatment of the leather sector, Khan said the NBR had kept it as a "bonsai tree" without room to grow.

According to a survey by local think tank Centre for Policy Dialogue (CPD), more than 72 percent of firms, or three out of four, said bribery and harassment from taxmen were major obstacles to expansion. Another 82 percent said current tax rates were unfair.

Many of the executives interviewed by the CPD complained that taxes were imposed arbitrarily, without explanation or notice. They argued such practices created an invisible cost greater than the tax itself, making the system deeply unfair.

Khan said he has been exporting shoes for 35 years. Yet he cannot grow due mainly to the flawed revenue structure facing the local businesses.

"Everyone is becoming bank defaulters, and you see why. The main reason is the NBR," he said.

"Why is the export from Bangladesh growing? Because NBR is cutting from the roots, keeping us as bonsai. Why are you dwarfing our growth?" he asked.

A representative from a leading steel mill accused Chattogram customs of deliberately moving goods to private inland container depots (ICD), adding costs and delays.

"After unloading from vessels, we aim to clear goods within three days of free time, but our goods are sent to inland depots to benefit certain businesses," he alleged.

Mahbubur Rashid Jewel, general secretary of the Bangladesh Re-Rolling Mills Association, said the biggest challenge for their sector was the Loan-Deposit Ratio business law.

He noted that while turnover is usually high in heavy industries, profitability fluctuates.

"The increase in turnover tax is burdening us even when we are not making profits," he said.

Md Abdul Wahed, president of the Chapainawabganj Chamber of Commerce and Industry, said businesses were struggling to secure refund payments.

Imran Hassan, secretary general of the Bangladesh Restaurant Owners Association, complained about repeated changes to value-added tax (VAT) rules.

"If so many experiments are carried out, we will not survive," he said, calling for decisions to be made in consultation with stakeholders.

Addressing the NBR chairman, Hassan said, "Your [NBR] officials extort money.

Of the total VAT and tax that is supposed to be collected, only 20 percent goes to the state treasury. The rest is lost to corruption through collusion between NBR officials and certain businesses."

Despite their criticism, business leaders thanked the NBR for recent initiatives meant to ease operations, including more flexible rules on HS code complexities.

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Islamic banks' deposits rise, but market share falls

STAR BUSINESS REPORT

Deposits in Islamic banks saw a moderate increase in June 2025, but their share in the banking sector fell by 1.17 percentage points year-on-year, according to Bangladesh Bank data.

Deposits in the Shariah-based banks grew by 2.67 percent year-on-year, reaching Tk 4.52 lakh crore in June 2025, according to the central bank's Islamic Banking and Finance Statistics (IBFS) report for June 2025 released on Tuesday. "This indicates a slower pace of growth compared to the conventional banking sector."

Besides their share of total banking deposits dropped from 23.54 percent in June 2024 to 22.37 percent in June whilst for conventional banks this figure recorded contrarily, the BB noted.

The total banking system deposits increased by 8.04 percent to Tk 20.22 lakh crore during the period.

The BB report said governance issues in some Islamic banks, which came to light after the July uprising, eroded public confidence and prompted depositors to shift funds away from these lenders to conventional ones.

Conventional banks posted stronger gains, with deposits rising from Tk 14.31 lakh crore to Tk 15.69 lakh crore over the same period, a jump of 9.69 percent.

The conventional lenders are capturing a larger share of new deposits thanks to stronger governance, wider branch networks, and more attractive deposit products compared to Islamic banks, the BB report noted.

A similar trend, though on a smaller scale, was observed in the non-bank financial institution (NBFI) sector. Total deposits there stood at around Tk 51.8 thousand crore in June 2025, nearly 1 percent higher than in May 2025.

Islamic NBFIs, however, logged 2.45

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Islami Bank's provision shortfall nears record Tk 70,000cr

AHSAN HABIB

Islami Bank Bangladesh PLC ended last year with a provision shortfall of nearly Tk 70,000 crore, audit reports show, exposing cracks in the financial health of the country's largest Shariah-based commercial lender for the first time in its four-decade history.

Weak asset quality in loans and investments, along with the bank's failure to set aside adequate funds to cover potential losses from defaults or bad debts, overshadowed its reported Tk 100 crore profit for 2024.

After the fall of the previous government, several banks, especially those linked to the controversial conglomerate S Alam Group, faced severe liquidity stress as their actual financial condition came to light.

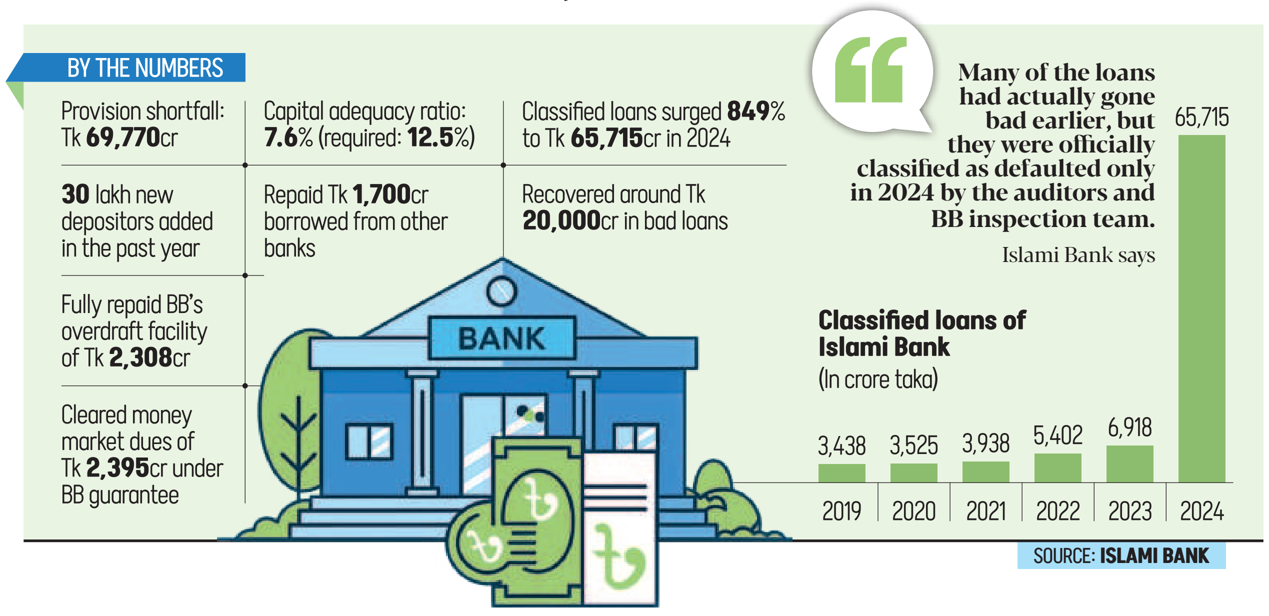
Islami Bank also came under pressure from rising default loans, exposing it to heavy losses. However, it avoided slipping into the red last year largely because provisions were not fully maintained, and depositors chose not to withdraw their funds.

Concerns about the bank's financial health are not new. Rather, Islami Bank has been in the headlines for years over lending anomalies and irregularities. But this is the first time an audit has shown, with hard numbers, how deep the problems run.

The bank says the audit findings reflect "long-buried bad loans" uncovered after the political changeover in August last year. It claims to be in recovery mode, with the Bangladesh Bank (BB) indicating the lender is turning around.

Islami Bank said it welcomed 30 lakh new depositors in the past one year till August 2025, and saw deposits grow by Tk 18,200 crore in the first eight months of this year even amid a turbulent banking time.

The central bank has also kept the bank outside its merger plan, saying depositors are still showing their faith in the bank.



MASSIVE SHORTFALL OVERSHADOWS PROFIT

Last year, Islami Bank was required to keep provisions of Tk 76,715 crore for classified loans and deposits parked with troubled non-bank financial institutions, according to auditors Mahfel Huq & Co Chartered Accountants and A. Wahab & Co Chartered Accountants.

Against this, the bank maintained only Tk 6,945 crore, leaving a gap of Tk 69,770 crore, according to the auditors.

At the end of 2024, provision shortfalls across the entire banking sector surged more than sixfold year-on-year to Tk 170,655 crore.

Auditors said that by failing to make full provisions, Islami Bank overstated assets, net profit and equity while understating liabilities.

Despite the massive shortfall, Islami Bank still posted a profit of Tk 108 crore in 2024, down from Tk 635 crore the year before.

On defaulted loans, the bank said in a written response to The Daily Star that defaults had risen sharply.

"Many of these loans had actually gone bad earlier, but they were officially classified as defaulted only in 2024 by the auditors and Bangladesh Bank inspection team," the bank said.

It acknowledged that because the full provision had not been set aside, the profit figure "looks higher than it would have been otherwise".

The BB allowed some flexibility under forbearance facilities, giving the bank time to gradually adjust its provision shortfall.

"As per directives of the central bank, we are preparing a time-bound action plan to gradually overcome the provision shortfall," the bank said.

It said the plan will include "specific steps, targets, and timelines to ensure that the shortfall is covered in an orderly manner".

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StanChart suspends Add Money from MFS apps

STAR BUSINESS REPORT

The Standard Chartered Bangladesh (SCB) yesterday suspended the "Add Money" option from mobile financial services (MFS) apps due to security concerns amid users on social media platforms reporting alleged fraud using the feature recently.

"Dear valued client, you may transfer funds to MFS bKash via the SC Mobile app at any time. Please note, the Add Money option from MFS apps is temporarily unavailable to ensure secure transactions," the foreign lender informed customers through text message.

The move comes as various users alleged that they were victims of fraud attacks which used the said option to transfer money from credit cards issued by the banks.

"It has come to our attention that cardholders of several banks are falling prey to fraudsters who are initiating fund transfer from MFS channels (e.g. bKash, Nagad) and transferring funds from credit card," Luthful Habib, head of Wealth and Retail Banking at the bank, told The Daily Star yesterday.

"A few of our cardholders were also impacted, and we have spoken to each one of them and assured them that Standard Chartered Bank systems, including our internet banking platforms, and security protocols have not been compromised in any way," he added.

The StanChart official continued that these reported fraud cases have been reported to regulators and law enforcement authorities for further investigation. "We will stand by our clients and

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Spectrum price cut may add $45b to economy by 2035: study

MAHMUDUL HASAN

Adjusting spectrum prices could unlock up to $45 billion of economic growth for Bangladesh by 2035, according to a new GSMA study, which warns that the current pricing model risks holding back its digital ambitions.

The report, The Impact of Spectrum Pricing in Bangladesh, links high spectrum and tax burdens to underinvestment in networks, slower internet speeds, and delayed 5G adoption.

While Bangladesh has achieved near-universal 4G coverage and some of the lowest data prices in the Asia-Pacific region, only 46 percent of citizens are mobile internet users, according to the study released yesterday.

It notes that the country's average monthly data usage, at 5 GB per connection, lags well behind regional peers.

With demand for mobile connectivity rising as users switch to 4G and 5G smartphones, the GSMA states that spectrum pricing must be modernised to enable operators to keep pace.

It warns that spectrum fees already consume 16 percent of operator revenues, double the

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Spend 60% of budget by Q3, or no money in next quarter

Finance Division warns govt agencies

REJAUL KARIM BYRON

Ministries and divisions will get no money for the fourth quarter of this fiscal year if budget spending remains below 60 percent in the first three quarters, the Finance Division warned in a directive yesterday.

The strict measure has been adopted to prevent the last-minute rush in budget spending at the end of the fiscal year, which often leads to misuse of government funds, according to a circular issued by the Finance Division.

If the agencies fail to meet the set quota by the third quarter, the release of the fourth instalment will be automatically withheld, the circular warned.

The Finance Division stated that past experience shows budget implementation by ministries and divisions tends to be sluggish in the early part of the fiscal year, while spending surges in the final quarter.

In some cases, it noted that allocated funds are disbursed and spent hastily near the end of the fiscal year without aligning with actual needs. Such spending, often done without following proper procedures, leads to misuse, wastage, and irregularities in the management of limited government resources while compromising the quality of public expenditure.

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