

# Star BUSINESS



## MERGER OF FIVE SHARIAH-BASED BANKS

Govt may consider compensating small investors  
Central bank says

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There is no scope to protect the interests of general investors or shareholders in the merger of the five troubled banks under the Bank Resolution Ordinance, 2025. However, the government may consider compensating small investors and shareholders, the Bangladesh Bank said in a statement.

At a press conference on Wednesday, central bank Governor Ahsan H Mansur said the shareholders of the five banks will not receive any shares in the new bank, as the value of assets tied to their existing shareholdings is already negative.

The governor's remarks sparked anger and unease among investors and shareholders, with some even threatening to stage protests.

In a statement yesterday, the central bank said the Bank Resolution Ordinance, 2025, was enacted in line with international best practices and taking into account the technical assistance and recommendations of the International Monetary Fund, the World Bank, and the Foreign, Commonwealth and Development Office.

The ordinance clearly specifies the rights of depositors, shareholders, and other creditors in banks brought under resolution, it added.

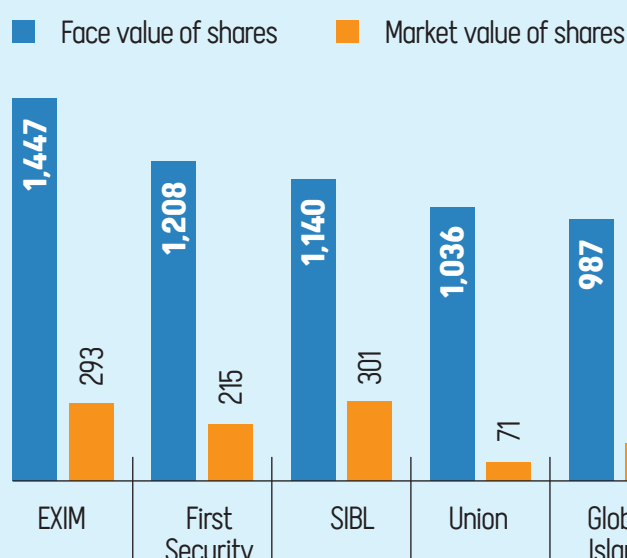
The statement also noted that after the completion of the resolution process, if any compensation is found payable to shareholders

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# Shareholders lose around Tk 4,500cr

Bank deposits will be repaid first, leaving stock investors legally entitled to nothing

Total market and face values of shares held by general and institutional shareholders  
(In crore taka)



AHSAN HABIB

Shareholders of five shariah-based troubled lenders, which are being merged into a large Islamic bank, lost hundreds of crores as the central bank announced that the shares now carry no value.

Their total loss amounts to around Tk 4,500 crore, representing the face value of the stocks – the value assigned when the shares were issued.

At market value, the loss is around Tk 1,022 crore as the shares had been trading well below their face value.

Following the merger order by the Bangladesh Bank (BB), the Dhaka and Chattogram stock exchanges suspended trading of the bank shares yesterday.

The lenders are First Security Islami Bank, EXIM Bank, Social Islami Bank, Union Bank and Global Islami Bank. The central bank said it has no legal obligation towards shareholders, though any government intervention would be a separate matter.

According to Dhaka Stock Exchange

(DSE) data, the banks issued around 582 crore shares with a face value of Tk 10 each, giving a paid-up capital of Tk 5,820 crore.

General and institutional shareholders hold 76 percent of the shares, or 443 crore. Thus, these investors are losing shares with a face value of Tk 4,433 crore, while the market value stood at Tk 1,022 crore.

Last month, the finance ministry issued a circular saying, "A rumor had been spreading that share market investors will be impacted [due to the merger]. But the government will not take any decision that will hamper investors."

However, BB Governor Ahsan H Mansur announced on Wednesday that shareholders of the five banks will not receive any stake in the new bank, as the net asset value per share is already negative by Tk 350 to Tk 420.

In other words, assets held by the banks are worth less than what they owe.

Saiful Islam, president of the DSE Brokers' Association of Bangladesh (DBA), said there is no chance to challenge

### BY THE NUMBERS

- Total number of shares of the banks: 582cr
- Shares held by general and institutional investors: 443cr
- Face value of each share: Tk 10
- Market price of the shares held by general and institutional investors: Tk 1,022cr



SOURCE: DSE

# Administrators assume office

MDs of SIBL, Union Bank removed

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Bangladesh Bank appointed administrators yesterday took charge of five shariah-based banks slated for merger as part of a resolution process aimed at restoring governance and strengthening accountability in the troubled lenders.

The five banks are First Security Islami Bank PLC (FSIBL), Social Islami Bank PLC (SIBL), EXIM Bank of Bangladesh PLC, Global Islami Bank PLC, and Union Bank PLC. Except for EXIM Bank, all the other four were under the control of Mohammed Saiful Islam, owner of conglomerate S Alam Group, who reportedly borrowed large amounts from these banks using companies that exist only on paper.

As part of the central bank's move, the managing directors (MDs) and CEOs of SIBL and Union Bank were forced to resign yesterday. With this, the MDs and CEOs of all five banks have lost their jobs since last year.

### KEY POINTS

- New 'Sammilito Islami Bank' to launch soon
- Paid-up capital of the new bank will be Tk 35,000cr
- Depositors with Tk 2 lakh or less will get funds soon



Contacted, SIBL MD Shafiuzzaman told The Daily Star yesterday that the central bank asked them to resign as the banking regulator took over the bank under the Bank Resolution Ordinance 2025.

"I submitted my resignation letter to the administrator, and today is my last working day," he said.

Shafiuzzaman had replaced Zafar Alam as the bank's MD in March this year after the reconstitution of the bank's board.

Meanwhile, Mohd Humayun Kabir, MD and CEO of Union Bank, also confirmed that he had submitted his resignation letter to the administrator yesterday.

He was appointed to the post in March this year after the bank's previous MD, ABM

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# Mobile phone ownership boosts rural incomes in Bangladesh

ADB study finds

STAR BUSINESS REPORT

Rural Bangladeshis who own mobile phones earn significantly more from non-farming activities than those without one, underscoring how digital connectivity is reshaping livelihoods outside agriculture, according to a new study by the Asian Development Bank (ADB).

The study, "Mobile Phones, Off-farm Income, and Employment of Rural Women," found that women with mobile phones earn on average Tk 188 more per month from off-farm work, a 153 percent increase compared with non-owners in 2012.

For men, the income gain is even higher, at Tk 3,443, or 163 percent more than their counterparts without phones.

The sharp rise in rural earnings is attributed to rapid mobile network expansion, growing digital services, and the increasing urbanisation of Bangladesh's rural economy, said the study.

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Mobile ownership, it noted, enables individuals to access market information, find jobs, and manage small-scale enterprises more efficiently.

The study was conducted based on the Bangladesh Integrated Household Survey (BIHS), collected by the International Food Policy Research Institute.

The BIHS is a nationally representative panel survey in rural Bangladesh, which enables researchers to conduct a comprehensive study in a South Asian country.

The study also highlights that education plays a key role in how much benefit people can derive from mobile phone ownership.

"Women who have completed secondary education tend to earn more, suggesting that better educated users are more capable of using phones productively from managing microbusinesses to learning new skills online," said the study.

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# Interest payments ate up one-fifth of total budget in FY25

REJAUL KARIM BYRON and AHSAN HABIB

Bangladesh spent a record Tk 134,430 crore (\$15.7 billion) on interest payments in fiscal year (FY) 2024-25, equivalent to one fifth of total budget expenditure, according to the latest report from the Finance Division.

Remarkably, this nearly matches the allocation for development projects under the Annual Development Programme, which stood at Tk 144,356 crore for the year.

The government had initially allocated Tk 113,500 crore for interest payments but later increased the figure to Tk 121,500 crore in the revised budget. By the end of the fiscal year, actual spending had surpassed even this higher target.

Spending on interest payments also remained high – Tk 31,952 crore, or 26 percent of total allocations – in the first three months of the current fiscal year, though budget spending in other sectors was low during the period.

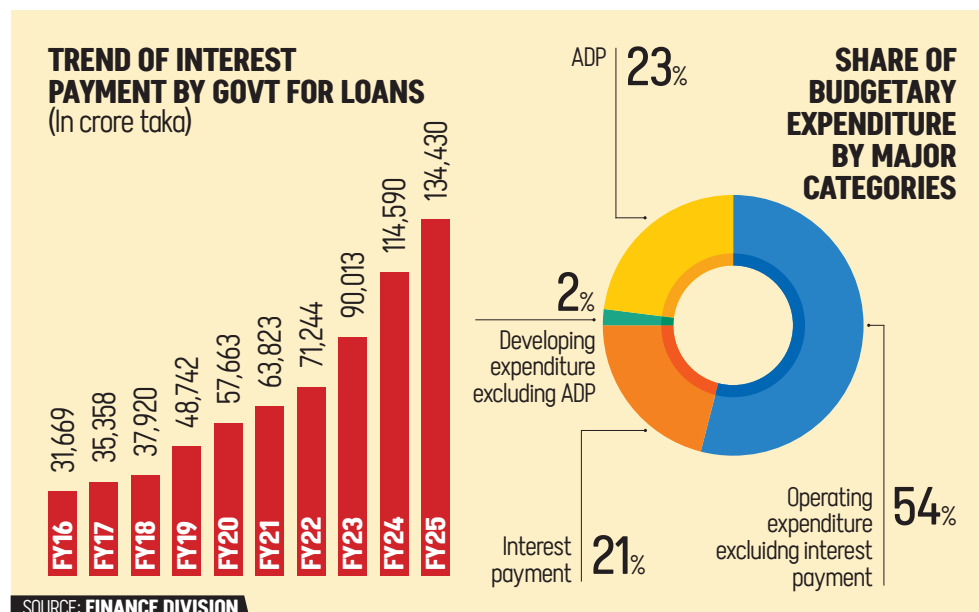
HIGH BORROWING, HIGHER REPAYMENT

The surge in interest payments is linked to rising government borrowing from both domestic and foreign sources and an increase in interest rates on treasury bonds and bills.

According to Finance Division data, the government spent Tk 116,617 crore (\$13.6 billion) on domestic loans in the last fiscal year, up 17 percent from Tk 99,606 crore in FY24. Meanwhile, interest payments on foreign loans rose 25 percent to Tk 17,812 crore (\$2.1 billion) from Tk 14,984 crore in FY24.

Overall, interest payments now consume 28 percent of the revenue budget, up from under 20 percent between FY2010 and FY2020.

A majority of domestic borrowing comes from treasury bills and bonds from bank and non-bank sources, whose costs rose significantly. Once the yield rate of bonds



SOURCE: FINANCE DIVISION

was around 8 percent, which rose above 10 percent in FY24. In FY25, it increased further to hover between 11 percent and 13 percent, according to Finance Ministry data.

Interest payments surged sharply after the Covid-19 pandemic, when the government borrowed heavily from foreign sources to support the economy. Interest obligations on these loans began immediately upon disbursement.

At the same time, domestic borrowing through treasury bonds and bills also contributed to rising costs thanks to their high interest rates. By FY2021, interest payments had already reached 21 percent of the revenue budget.

Meanwhile, the government's overall expenditure has risen sharply, but revenue collection has failed to keep pace. This has resulted in an 8 percent tax-to-GDP ratio, which is far below the Asia-Pacific average of

19 percent and the 25 percent average among developing countries.

For instance, the ratio is 12 percent in India and 17 percent in Nepal.

Interest rates in the banking sector have also risen by approximately 500 basis points over the last five years, pushing the government's interest payment obligations to unsustainable levels.

As of March 2025, the government's debt stock had reached a record Tk 20 lakh crore, up from Tk 13.44 lakh crore in June 2022. Of this, the foreign debt stock has nearly doubled to Tk 8.42 lakh crore since mid-2022. The interim government has signalled its intention to reduce reliance on foreign loans to mitigate risks to external debt sustainability.

Currently, Bangladesh's external debt-to-export ratio stands at 140 percent, according to the latest Debt Sustainability Analysis (DSA).

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# Bepza EZ in Ctg welcomes \$11m in investments

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Four companies have signed land lease agreements with the Bangladesh Export Processing Zones Authority (Bepza) to invest a total of \$11.26 million in the Bepza Economic Zone at Mirsharai in Chattogram.

The firms are Tai Ma Shoes (BD) Co Ltd, Bangladesh Songshin Leather Co Ltd, Anrray Holding (BD) Co Ltd and Wraptex Industries Ltd. The first three are fully foreign owned, while Wraptex Industries Ltd is a Bangladeshi company, Bepza said in a press release yesterday.

The new ventures will produce footwear, process leather, provide testing services and manufacture garment accessories.

Tai Ma Shoes (BD) Co Ltd, a Chinese company, is making the largest investment at \$55.05 million. It will build a footwear factory capable of producing seven million pairs a year. The investment will create 5,900 jobs.

Based in Singapore, Bangladesh Songshin Leather Co Ltd will invest \$25.03 million to set up a leather processing plant with an annual capacity of 36 million square feet of finished leather. It will employ 480 workers.

Anrray Holding (BD) Co Ltd, a China Singapore joint venture, will invest \$20.03 million to establish

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