Raise public spending, curb graft

BIDS director general urges government

STAR BUSINESS REPORT

The government should increase public expenditure and tackle corruption concerns with the aim of meeting the growing needs of an expanding population, said AK Enamul Haque, director general of the Bangladesh Institute of Development Studies (BIDS).

He made the remarks yesterday at a post-budget discussion seminar titled "Economic Transformation and the Banking Sector: Budget 2026-27," organised by Unnayan Shamannay in the conference room of the World Literature Centre in Dhaka.

As the population grows, demand, investment requirements and the size of the national budget also increase, the economist said.

To meet these growing needs, the country must increase supply capacity through greater public investment. In a high-cost economy, he stressed, government expenditure remains essential.

He emphasised the need to measure the extent of corruption and take effective steps to reduce it. He also highlighted the importance of banking sector reforms, noting that the central bank's role is to ensure discipline within the banking system and protect the integrity of the banking profession.

Referring to the nearly Tk 6 lakh crore in non-performing loans, he noted that neither individual bankers nor institutions have been held accountable. Establishing accountability and imposing penalties on responsible individuals and institutions, he argued, would help reduce defaulted loans.

He also commented that the government often accepts the recommendations of the IMF and the World Bank. According to him, these institutions often raise concerns about corruption when assessing large-scale infrastructure projects.

However, he stressed that the solution lies not in avoiding infrastructure projects but in reducing corruption while continuing to build the infrastructure necessary to attract both domestic and foreign investment.

The panel discussants included Shahidul Islam Zahid, a professor of the Department of Banking and Insurance at Dhaka University, and Faruq Mayeenuddin Ahmed, vice chairperson of BRAC Bank.

The session was chaired by S M Zulfikar Ali, acting chairman of Unnayan Shamannay. The keynote paper was presented by Mahfuz Kabir, research director of the Bangladesh Institute of International and Strategic Studies.

Industrial growth

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Financing conditions have further worsened the situation, Razzaque said, noting that heavy government borrowing from banks risks crowding out private-sector credit.

"In an environment of high interest rates and large NPLs, financially viable banks may find lending to the government both safer and more attractive than financing private investment. This is particularly damaging for smaller and medium-sized manufacturers that have limited access to alternative sources of finance."

CAN INDUSTRIAL GROWTH REBOUND TO 7%, AND BEYOND

Despite the slowdown, the government has projected industrial growth of 7 percent in fiscal year 2026-27, rising to 7.5 percent in FY28 and 8 percent in FY29.

The Finance Division expects deregulation, higher private investment, stronger exports, improved energy supplies and public infrastructure spending to drive the recovery.

Economists, however, said the target would be difficult to achieve unless major constraints are addressed.

Razzaque said current conditions make a rapid acceleration in industrial growth unlikely, especially amid uncertainty in the global trading environment.

"Industry is being squeezed from both sides: unreliable energy raises the cost of producing, while expensive and scarce credit limits the ability to invest."

Against that backdrop, he said, the projected acceleration in industrial growth over the next three fiscal years "appears highly ambitious".

"Such an acceleration would require a strong recovery in exports, domestic demand, private investment, energy availability and credit growth. At present, these conditions are not firmly in place."

In the July-May period, the country's exports fell 2.55 percent to $43.79 billion, due to a decline in garment shipments, according to the Export Promotion Bureau.

Razzaque said the new budget provides some benefits to the private sector, but these measures are unlikely, by themselves, to revive the industrial growth engine.

Shams Mahmud said deregulation is a positive initiative, but investors are unlikely to benefit immediately. "Nothing has happened in the last three months that all our problems have been resolved. Energy security has not been ensured. The revenue system has not been automated."

Nasir shared a similar view. "If we get adequate gas supply, quality electricity and interest rate falls, then growth will pick up," he commented.

Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh, said achieving industrial growth of 7-8 percent would require lower inflation, exchange-rate stability, adequate foreign currency for imports, reliable energy supplies, and a significant recovery in private and foreign investment.

"The government must also ensure predictable tax and regulatory policies, improve port and customs efficiency, reform the banking sector, and support export diversification and productivity growth," said the economist.

Without these improvements and stronger global demand, the projections are more aspirational than achievable, he said.

Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem), shared a similar assessment.

Customers lose Tk 100cr

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The spokesperson said the regulator has instructed the DSE and CSE to determine the shortfall in investors' funds and shares, and arrange their return.

He added that the stock exchanges are being empowered to carry out all necessary monitoring and surveillance of brokerage houses' consolidated customer accounts.

SIMILAR SCANDALS HAVE HAPPENED BEFORE

Over the years, several stockbrokers have been involved in similar embezzlements.

Since 2020, four brokerage houses -- Moshihor Securities, Banco Securities, Crest Securities and Tamha Securities -- have collectively embezzled around Tk 270 crore.

In 2005 and 2006, the DSE suspended the trading activities of five brokers over similar irregularities and later sold their licences to compensate investors.

The brokers were Capital Roops, JR Capital Company, MR Company, T Mushfu & Company and SPM Ltd.

However, in many cases, affected clients did not recover their full investments.

Nuzhat Anwar, managing director of the DSE, said the exchange will appoint an auditor to conduct a forensic audit to determine the actual financial condition of the brokerage house and identify affected investors and their losses.

"This is highly embarrassing for the DSE and detrimental to investor confidence."

"The audit will be conducted to ensure no false claims are made, and the entire process remains transparent. Only after that will the investors' money be returned. This cannot actually be done overnight, but we will try to complete the work as quickly as possible," she said.

M Shaifur Rahman Mazumdar, managing director of the CSE, said, "Initially, we are facilitating the transfer of shares for investors who currently hold shares in that house and wish to transfer them."

After that, the exchange will assess the total financial losses, account deficits, remaining assets and the value of the brokerage licence to determine how investors can be compensated, he told The Daily Star.

"As of now, we do not have a specific source from which to finance the money. We will work with the highest priority on investor protection, though completing the entire process will take some time," Mazumdar added.

Meanwhile, Saiful Islam, president of the DSE Brokers Association of Bangladesh (DBA), said incidents of this nature are a matter of shame for all of them.

"This is not the first time it has happened, so why does it keep occurring repeatedly? It is possible that someone from each regulatory body might be involved. Yet, none of them has been brought to justice so far," he said.

He said those responsible must also be held accountable and punished.

"Unless this type of embezzlement is stopped, investor confidence will not return regardless of how much work is done to improve the market," he added.

The Daily Star attempted to contact Abu Sayed Md Shahidullah, managing director of Salta Capital, Mohammed Rezaul Karim, chief executive officer of the firm, and director Mohd Shahajahan Iqbal for comment, but all of their mobile phones were switched off.

DSE PLANS REAL-TIME MONITORING OF BROKERAGE ACCOUNTS

With similar incidents recurring, the DSE has decided to introduce real-time monitoring of brokerage houses' consolidated customer accounts. Software is currently being developed for the system, according to Nuzhat Anwar.

She said that although such software normally takes about six months to develop, efforts were underway to complete it within three months. If necessary, teams would work in three shifts to meet the deadline.

At present, anomalies can only be detected when a DSE team physically inspects a brokerage house or when problems emerge during the licence renewal process.

She said the DSE currently oversees 278 brokers and Trading Right Entitlement Certificate (TREC) holders. Given the scale of the market, identifying account deficits through manual inspections alone is difficult.

Until the real-time monitoring system is introduced, the exchange will carry out risk-based monitoring over the next three to four months, she added.

Banks got Tk 76,000cr

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The minister also said the Deposit Protection Act, 2026, raised the limit of protected deposits from Tk 1 lakh to Tk 2 lakh.

He added that Tk 12,000 crore has already been transferred from Sammilito Islami Bank's current account to the Deposit Protection Fund (Bank Companies).

Responding to a question from MP Mostafizur Rahman Babul, the finance minister said the government had appointed the chairman of Sammilito Islami Bank, who has already taken charge. Directors have also been appointed to the bank's board.

"The nomination for the post of managing director has been finalised, and the appointment process is underway," he said.

He said the newly formed board is working under the close supervision of the relevant department to make the bank fully operational as quickly as possible.

As part of the process, work is underway to prepare the organisational structure and service rules, integrate IT systems and core banking services, merge manpower and branches, and appoint key officials, including the company secretary, chief financial officer and chief technology officer.

"Once these steps are completed, the bank will be able to resume normal business operations," the minister said.