



## Forceful merger of banks not the right step

**Says ex-BB governor Farashuddin;  
repeated rescheduling of loans  
deepening liquidity crisis**

STAFF CORRESPONDENT

Merger is an international method for absorption of a weak bank by a good one, but forceful mergers cannot be the right solution, said former Bangladesh Bank governor Mohammed Farashuddin.



Banks should agree for the merger in the first place, he told an event titled "Conversation with ERF members" yesterday. The Economic Reporters' Forum (ERF) hosted the programme at its auditorium in Dhaka.

Farashuddin said merger is not the only way to turn around a weak bank, there are other ways to make it happen.

"Hasty mergers of banks is not right," he said.

Farashuddin said it would not be right to merge Rajshahi Krishi Unnayan Bank and it should be allowed to continue its operations for the betterment of agriculture in the country's north.

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# Forceful merger of banks

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Talking about Bangladesh Krishi Bank, the economist said the bank got into trouble because of taking short term deposits and providing long term finance.

He recommended raising the deposit insurance to Tk1 crore from Tk1 lakh to earn back the depositors' trust.

A depositor currently gets a maximum of Tk1 lakh in compensation within 90 days if any scheduled bank or financial institution goes into liquidation.

Farashuddin also called for withdrawing all restrictions on term deposits for one to six months.

About the high inflation, he said that inflation stays high in Bangladesh because the central bank injects money into the economy.

Inflation remains over 9 percent since March last year, according to data of the Bangladesh Bureau of Statistics (BBS).

"I think the liquidity crisis deepened in the banking sector due to repeated rescheduling of defaulted loans. The central bank has to inject money to end the crisis and that is why inflation is yet to cool down."

Farashuddin said powerful people have to make the authorities concerned understand that if the defaulted loans were recovered, there would be no need for the central bank to print money.

"We need a banking commission to restructure the banking sector. But if we have a strong Bangladesh Bank and skilled finance ministry, then there will be no need for a banking commission," he observed.

The former BB governor (November 1998 to November 2001) recommended introducing the January-December fiscal year instead of the July to June period to help the economy.

Replaying to a question, he said

he does not understand why the government and the International Monetary Fund are silent about money laundering, which is harmful to the country.

Regarding inequality, Farashuddin said the inequality between the rich and the poor had existed before, but it has grown further now.

He said both economical and political steps should be taken to reduce inequality.

The economist said all countries have achieved success in reining in inflation but Bangladesh is yet to control high inflation because of a faulty monitoring system. He recommended changing the monitoring system.

Ministers' comments that people are doing well despite 9.7 percent inflation are devoid of reality, he said.

"Salaries may have increased a little, but people are not in a good position due to the inflation."

ERF President Mohammad Refayet Ullah Mirdha chaired the event, moderated by General Secretary Abul Kashem.

## People will decide

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The other accused are Grameen Telecom Managing Director Nazmul Islam; Directors Ashraf Hassan, Naznin Sultana, Parvin Mahmud, M Shahjahan, Nurjahan Begum, and SM Huzzatul Islam Latifee; Sramik-Karmachari Union President Kamruzzaman; General Secretary Firoz Mahmud Hasan; representative Mainul Islam; Jatiya Workers Federation Office Secretary Kamrul Hasan; and lawyers Zafrul Hasan Sharif and Yusuf Ali.

On May 30 last year, Gulshan Anwar filed the case with the ACC's integrated district office in Dhaka. The ACC approved the charge sheet on January 29 this year.