

Rescheduling classified loans behind inflation not abating: Ex-BB governor

Business Report

Bangladesh's inflation is not abating due to frequently rescheduling classified loans, said former Bangladesh Bank governor Dr Mohammad Farashuddin on Thursday.

"Due to the frequent rescheduling of classified loans, there is an increasing shortage of money, forcing the central bank to print money. This is why inflation is not cooling down," he said at the "Conversation with Dr Mohammed Farashuddin" event organised by the

The former governor advised going to the stock market instead of relying on banks for long-term loans.

Mentioning the low flow of loans in rural areas, he said, "A large portion of deposits is collected from rural areas, yet 80% of the loans are given in big cities like Dhaka or Chattogram."

Farashuddin said, "Multiple exchange rates are entirely objectionable. Only intermediaries profit from it.

"Those who are discussing the exchange rate, I have already told them that keeping the exchange rate overvalued is not correct.

Neighbouring India has consistently devalued their currency, which we have not done to the same extent," he added.

The former governor said overvaluing the currency is harmful in a country like Bangladesh.

"Many countries have managed to reduce inflation. The inflation in our country is still around 10%. We need to focus on monitoring. The number of importers needs to be

increased. We must understand that inflation has been too high for ten consecutive months. Not everyone is happy," he said.

"If a farmer defaults on a Tk1000 loan, they are thrown in jail. But nothing happens to those sitting with Tk10,000 default loans," alleged the former governor.

He also said forgiving interest on loans is not a good thing.

"The amount of classified loan is now Tk1,55,000 crore, excluding the Tk45,000 crore taka of interest waived. Otherwise, the figure for classified loans would have been even bigger," he added.



Economic Reporters' Forum (ERF) in the capital's Paltan.

During the event, the former governor said stopping printing money without recovering classified loans is difficult. He also mentioned the necessity of insuring deposits up to Tk1 crore.

"I think all barriers to short-term deposits of 3-6 months should be removed. Banks around the world offer short-term loans. It was the same in our country at the beginning of the 1990s. Later, under pressure, medium and long-term loans were given. We are now taking short-term deposits and giving long-term loans," he said.