

STOCKS		Week on week	
DSEX	4,459.29	CSCX	8,163.74

COMMODITIES		As of Friday	
Gold	\$1,551.70 (per ounce)	Oil	\$68.60 (per barrel)

ASIAN MARKETS		Friday Closings	
MUMBAI	41,464.61	TOKYO	Closed

CURRENCIES				As on Thursday
	\$ USD	€ EUR	£ GBP	¥ JPY
BUY TK	83.95	93.32	110.24	0.75
SELL TK	84.95	97.12	114.04	0.79



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# BUSINESS

DHAKA SUNDAY JANUARY 5, 2020, POUSH 21, 1426 BS starbusiness@thedailystar.net

## Why is private sector credit growth sinking?

*Now the lowest since 2008*

AKM ZAMIR UDDIN

Businesses and bankers often blame political instability for sliding private sector credit growth. But it was calm as the smoothest waters on the political front last year after the polls on December 30, 2018 and yet the slide did not stop.

In November last year, private sector credit growth dropped to 9.87 percent, which is the lowest since 2008 at least. Bangladesh Bank's data goes as far back as 2008.

The Daily Star spoke with at least 16 people, ranging from economists to bankers, from

business leaders to humble entrepreneurs to get to the bottom of the reason for the downward trend of private sector credit growth over the last 21 months.

Banks' capacity to give out loans is contracting for a large volume of default loans, said Faruq Mainuddin Ahmed, managing director of Trust Bank.

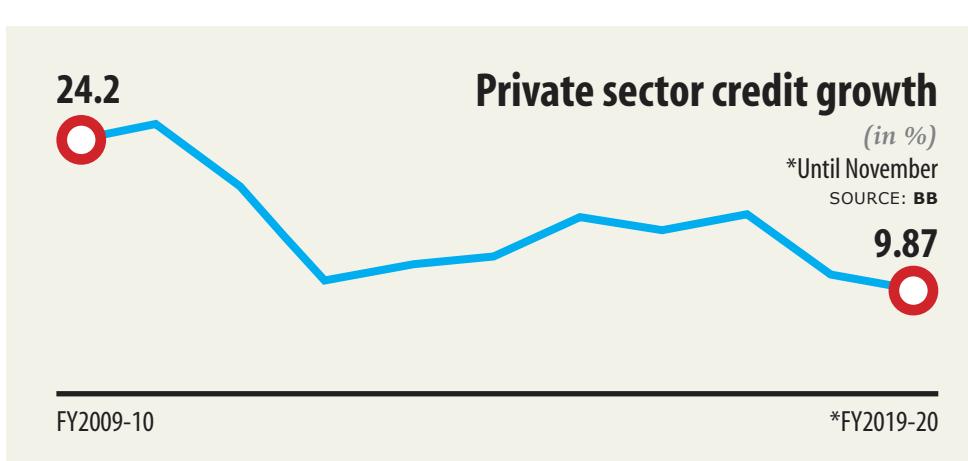
Lenders have to keep a good amount of fund in the form of provisioning against their default loans.

"Banks' funds are getting stuck and there has been no strong measures to recover them from habitual defaulters. So, credit growth is on the decline despite a stable situation on the political front," Ahmed said.

As of September last year, default loans in banks stood at Tk 116,288 crore, up 23.82 percent from nine months earlier.

Md Arfan Ali, managing director of Bank Asia, echoed the same.

Besides, the country's overall



business situation has been going through a slowdown for months, which had a negative impact on both export and import, he said.

"The exchange rate of taka against the US dollar is relatively higher than our peers' currencies, which is discouraging exporters," Ali added.

But Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said the double-digit interest rate on lending is the core problem for borrowers.

A large number of entrepreneurs are shying away from banks because of the high interest rates,

which would not be viable for their businesses.

Lenders are usually interested in giving out loans to big businesses, sidestepping the small and medium entrepreneurs, she said.

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### BANKS' WOES

High volume of default loans  
Imprudent decisions by BB, govt  
Excessive govt borrowing  
Adoption of cautious stance

### BORROWERS' CHALLENGES

High interest rate  
Banks' emphasis on collateral  
Poor infrastructure  
Strong local currency

## Solar energy prospects getting dimmer



The demand for cleaner electricity declined amid fast-expanding electricity connections in off-grid areas.

STAR/FILE

SOHEL PARVEZ

Solar energy installation has lost momentum in the last two years as the appetite for the cleaner electricity fell in the face of fast-expanding electricity connections in off-grid areas by public agencies.

Installation of solar energy system dropped 19 percent year-on-year to 43.25 megawatt last year, according to the Sustainable & Renewable Energy Development Authority (Sreda).

This was the second straight year that the solar energy drive slowed down since the installation by various agencies reached its peak of 57.75 MW in 2017.

It was mainly because of expansion of solar home system in off-grid areas at that time, said Sreda Chairman Md Helal Uddin said.

"As the entire Bangladesh is coming under hundred percent electrification, nothing is going to remain off-grid," he added.

The expansion of solar home systems, now standing at around 60 lakh, is hitting the brakes as demand waned for increased electricity connection as the government strives to ensure power for all by March 2021.

Now more than 95 percent of the population has access to electricity and electricity connection has grown

39 percent to 3.60 crore since June 2017.

Nearly 60 lakh new consumers received power connection in the last one and a half years, according to the Power Division and the finance ministry.

The adoption of renewable energy has slowed in Bangladesh at a time when many other countries are increasingly turning to solar and wind energy to move to cleaner energy on the back of technological innovations and favourable government policies.

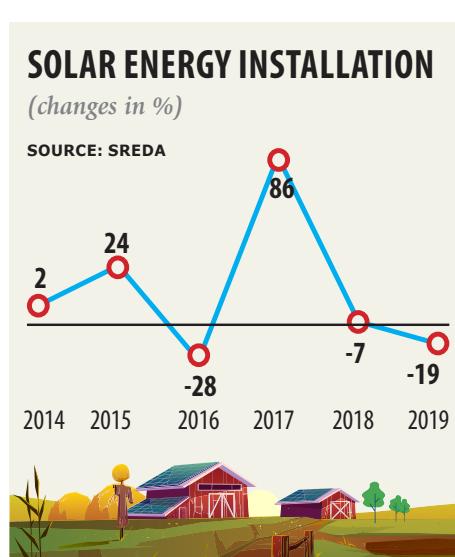
The decade-long trend of strong growth in renewable energy capacity continued in 2018 with global additions of 171 gigawatts (GW), according to the International Renewable Energy Agency (IRENA).

The annual increase of 7.9 percent was bolstered by new additions from solar and wind energy, which accounted for 84 percent of the growth.

Because of the expansion of the electricity grid, solar home system and solar mini-grid are being closed as people get electricity at lower prices than what they got from mini-grids, Helal said.

"We are now taking various measures to scale up renewable energy generation."

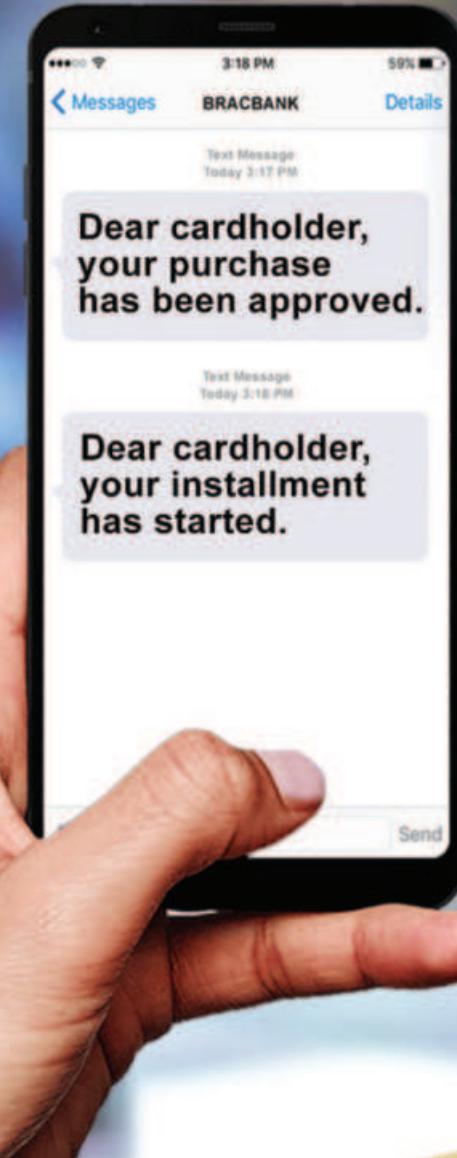
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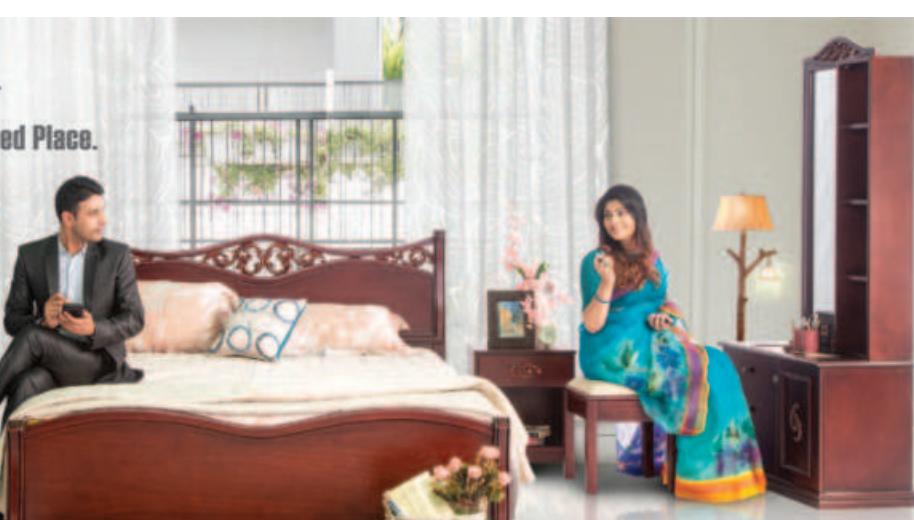
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