

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.14%	▼ 0.03%	\$1,862.00	\$73.82	▲ 0.42%	▲ 0.96%	▲ 0.69%	▼ 0.92%	BUY TK 83.95	100.74	117.58	12.87
6,022.31	10,513.14	(per ounce)	(per barrel)	52,773.05	29,441.30	3,174.87	3,556.56	SELL TK 84.95	104.54	121.38	13.54

City



# Star BUSINESS

DHAKA WEDNESDAY JUNE 16, 2021, ASHAR 2, 1428 BS • starbusiness@thedailystar.net

## Bad loans rise as payment holiday ends partially

AKM ZAMIR UDDIN

Defaulted loans went up substantially in the first quarter of 2021 after the central bank partially withdrew the moratorium facility, which had barred banks from downgrading the credit status of borrowers even if they failed to pay instalments regularly.

Non-performing loans (NPLs) stood at Tk 95,085 crore in March, up 7.1 per cent from three months earlier and 2.8 per cent year-on-year, data from the Bangladesh Bank showed.

Analysts say the volume of the bad loans would have been much higher had the central bank brought a complete end to the payment holiday, which was introduced in late March last year to help businesses ride out the unprecedented crisis.

The facility continued throughout 2020 as the pandemic showed no signs of disappearing.

In March this year, the central bank, however, asked banks to extend the repayment deferral support until the first quarter of 2021 based on the bank-customer relations.

The BB allowed the borrowers who took three categories of loans – term, demand and working capital – to enjoy the loan deferral support.

"Default loans will escalate in the months to come as businesses are still facing the slowdown," said Ahsan H Mansur, executive director of the Policy Research Institute of

### AT A GLANCE

Partial withdrawal of moratorium pushes up defaulted loans

Business slowdown contributes to NPLs

Feeble recovery of fund worsens banks' health

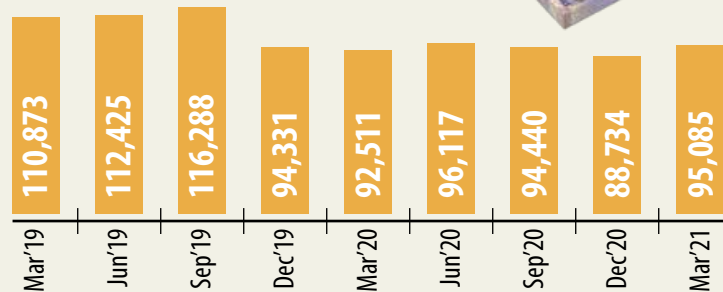
### EXPERTS' OBSERVATIONS

NPL may rise further in future

Banks should keep adequate provision to absorb shock

### DEFAULT LOANS OVER THE QUARTERS

In crore taka; SOURCE: BB



Bangladesh.

Many businesses are going through a hard time due to the economic slowdown, which pushed higher the NPLs in the first quarter.

The defaulted loans accounted for 8.07 per cent of the outstanding loans of Tk 11,77,658 crore in the banking industry in Bangladesh in March. The ratio was 7.66 per cent in December.

Businesses are not keen to expand their footprint given the worsening coronavirus situation, meaning the depressing situation in the business sector would continue in the coming months.

"Banks should fortify their provisioning base to absorb the shock deriving from the slowdown," said Mansur, also a former official of the International

Monetary Fund. Syed Mahubur Rahman, managing director of Mutual Trust Bank, said that banks had failed to treat many loans as defaulted in 2020 due to the moratorium. "Lenders have started treating the loans as NPLs after the central bank withdrew the facility partially," he said. On top of that, some borrowers entered the defaulted zone due to the pandemic, he said. Nearly 49 per cent of the defaulted loans belonged to nine state-run banks, whose NPLs grew 2.59 per cent to Tk 47,537 crore in the January to March quarter, compared to the previous quarter. The bad loans in 41 private commercial banks were up 3.64 per cent to Tk 45,090 crore. The NPLs for nine foreign banks rose to Tk 2,458 crore from Tk 2,038 crore during the period.

Some borrowers who fared well during the pandemic had kept paying instalments regularly.

"Some habitual defaulters misused the central bank facility," he said, adding that the moratorium support should not be extended in the greater interest of the economy.

Only the pandemic-hit borrowers should be allowed to avail of the moratorium, he said. "The upward trend of defaulted loans will continue if we can't stop the spread of Covid-19."

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## An aged society ahead

Country's development aspiration faces challenges, experts say

STAR BUSINESS REPORT

Bangladesh is hurtling to become an aged society, a worrying sign as it will pose challenges to its development aspiration since there will be more elderly and the days of cheap workers will be over.

"Only Singapore is ahead of Bangladesh in terms of the duration to be an aged nation from an ageing country," said Tomoo Hozumi, a country representative of Unicef.

He spoke at a webinar on "Paying Forward and Investing in Children Now: Demographic changes in Bangladesh Trends and policy implications." The International Chamber of Commerce-Bangladesh (ICC-B) organised the event.

According to Hozumi, Bangladesh will turn into an aged nation in 18 years and Singapore by 17 years.

A country is considered an ageing

nation if 7 per cent of the population are 65 years of age. If the rate doubles in the next seven years, it is called an aged society.

By 2029, Bangladesh will have 7 per cent of its population aged 65 and above, turning it into an ageing society. By 2047, it will become an aged country.

"The pace the ageing of Bangladesh's population is faster than even Japan," Hozumi said.

The rapid ageing of the population indicates that industrialisation will suffer and cheap labourers will start declining if proper investment is not made in the education and healthcare sectors now.

Bangladesh has been enjoying the demographic dividend since 1978, and as of 2021, the country has reaped 78 per cent of the dividend, Hozumi said.

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## Islamic Finance MD resigns amid graft allegations

BB probe finds gross violations of rules and regulations

AKM ZAMIR UDDIN

Abu Zafore Md Saleh, managing director of Islamic Finance and Investment, has resigned over allegations of breaching rules and regulations in recruiting employees and enjoying financial benefits.

He resigned on June 7 following a Bangladesh Bank investigation into the non-bank financial institution (NBFI).

A central bank team carried out the probe in December last year when it found Saleh to have committed gross violations of the rules and regulations while appointing officials in different categories for the NBFI.

He also enjoyed festival bonus amounting to Tk 10 lakh in violation of the internal policy of the leasing company, according to the central bank probe report.



Abu Zafore Md Saleh

Saleh joined the NBFI in June 2018 and enjoyed the benefit before completing six months at the company.

He appointed some officials at the NBFI without any viva and evaluation, the report mentioned.

The management of the NBFI did not even publish any advertisement in the newspapers as is required in the appointment process.

Saleh also facilitated the NBFI board members in joining the recruitment process, which is a clear violation of central bank instructions. Despite all this, the board of directors of the NBFI renewed Saleh's job as his three-year tenure ended on June 7.

The board sent a letter to the central bank in May, requesting to give approval for Saleh to continue in his job for another tenure.

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## DSE sues Banco Securities

Customers' Tk 60cr went missing

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) has filed a case against Banco Securities on discovering a shortfall of Tk 60 crore in its consolidated customers' account.

Such accounts are meant to hold money which investors provide to a brokerage house to do trade with on their behalf. Whatever transactions made are supposed to add up in the balance.



The case was filed with Motijheel Police Station on Monday night, confirmed a top DSE official.

Earlier in the day, the premier bourse suspended Banco's trading activities on deciding upon it at a board meeting.

A DSE investigation on the brokerage firm is ongoing.

Preliminary findings were sent to the Bangladesh Securities and Exchange Commission (BSEC) and the stock market regulator recommended to suspend the trading and filing a case.

The regulator also asked to inform the relevant

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## Recruiting agencies face higher AIT

The tax burden may be pushed onto migrant workers



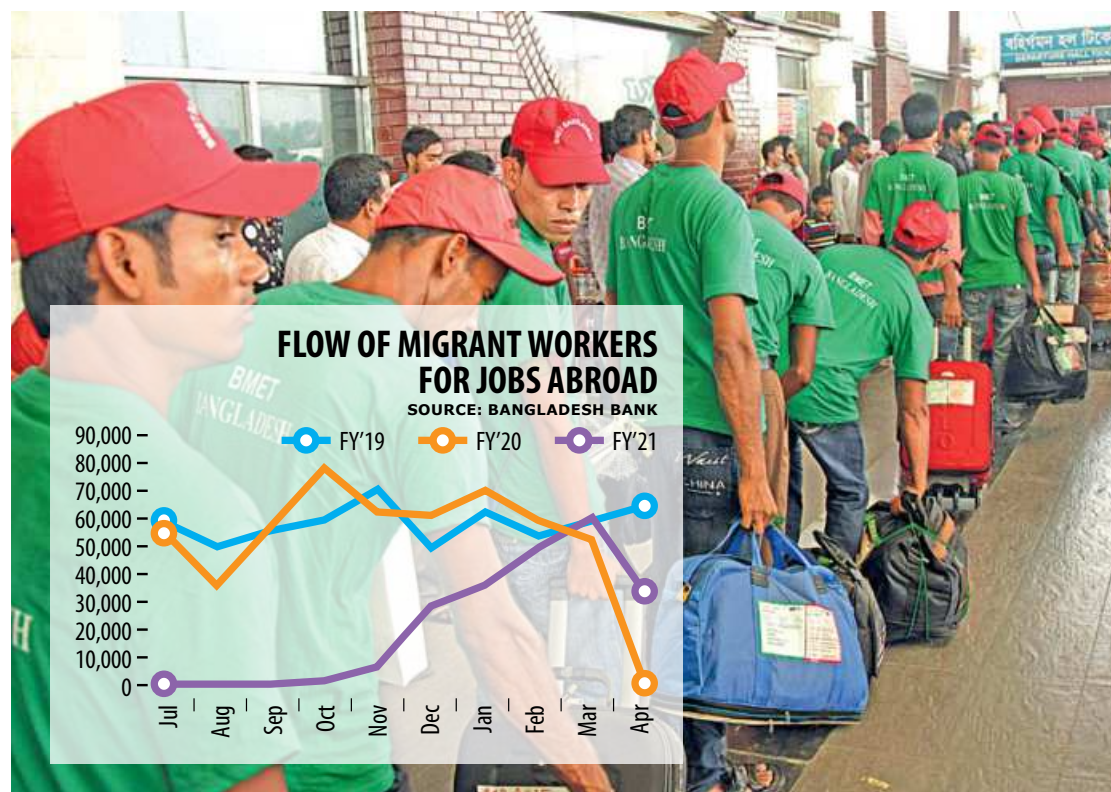
SUKANTA HALDER

Recruiting agencies will have to pay higher advance income tax (AIT) on service charges or fees they earn from migrant workers going abroad, according to tax measures proposed by the National Board of Revenue (NBR) for the next fiscal year of 2021-22.

Recruiting agencies will be required to pay 10 per cent advance income tax for the next fiscal year of 2021-22 instead of the present 7.5 per cent of the outgoing fiscal year.

They will also have to pay Tk 50,000 when availing or renewing licences from the Ministry of Expatriates' Welfare and Overseas Employment, according to Finance Bill 2021 placed by Finance Minister AHM Mustafa Kamal in parliament on June 3.

The measure, once passed in



parliament, will come into effect from next month with recruiting agencies and migration analysts saying that the agencies may pass on the burden of increased AIT to the shoulders of migrant workers going abroad for jobs.

And this will in turn will increase the cost of migration at a time when the outflow of workers for jobs has slumped and migrants are having to count higher costs for airfare and complying with health safety rules to safeguard against infections.

Workers going abroad have to pay anywhere between Tk 3 lakh and Tk 4 lakh for jobs and their combined numbers going abroad dipped 59 per cent year-on-year to 2.17 lakh in the July-April period of fiscal 2020-21, showed data from Bangladesh Bank.

At this point, the increased AIT will put a negative impact on the sector.

"We are just the service providers. If any tax is increased, migrant workers will ultimately

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M Jamal Uddin

## IDLC Finance gets new chief executive

STAR BUSINESS DESK

IDLC Finance has recently witnessed the appointment of a new chief executive officer (CEO) and managing director (MD).

The appointee, M Jamal Uddin, has been serving the non-banking financial institution (NBFI) as its acting CEO and MD. He joined the company as a management trainee officer back in 1994.

Uddin is the first homegrown CEO of the IDLC with over 27 years of experience in the financial sector.

He obtained his BBA and MBA degree from International University, Missouri, USA.

"M Jamal Uddin's rise to the position of CEO and MD is well deserved, and showcases IDLC's strength in mobilising resources effectively for the future growth.

He has a distinguished track record of managing all business verticals during his stint as DMD, and is exceptionally capable of blending in," said Chairman Aziz Al Mahmood.

## Stocks return to the black

STAR BUSINESS REPORT

The stock market bounced back yesterday as investors came out from the profit booking tendency that prevailed for the last two days.

The DSEX, the benchmark index of the Dhaka Stock Exchange, rose eight points, or 0.14 per cent to 6,022.

Turnover, an important indicator of the stock market, rose 16 per cent to Tk 2,032 crore.

Stock investors are pouring money into stocks which fell in the last two days, said a merchant banker.

This is a good sign for the market, he said, adding that the environment becomes vibrant when people invest in a falling

market.

The buying pressure boosts the confidence of general investors, he added. At the DSE, 152 stocks advanced, 195

declined, and 25 remained unchanged.

Salvo Chemicals topped the gainers' list, rising 10 per cent, followed by Energypac Power Generation, Associated Oxygen,

S Alam Cold Rolled Steels, and Reliance Insurance.

Beximco Ltd became the top traded stock with shares worth Tk 96 crore changing hands, followed by Pioneer Insurance, National Polymer, Pragati Insurance and Lub-ref.

Intech Ltd fell the most, dropping 5.92 per cent, followed by Bangladesh National Insurance, NRB Commercial Bank, Union Capital and Delta Life Insurance.

However, the Chittagong Stock Exchange experienced a fall. The CASPI, the general index of port city bourse, fell 1 point to 17,464.

Among the 314 traded stocks, 118 rose, 167 dropped and 29 remained the same.

