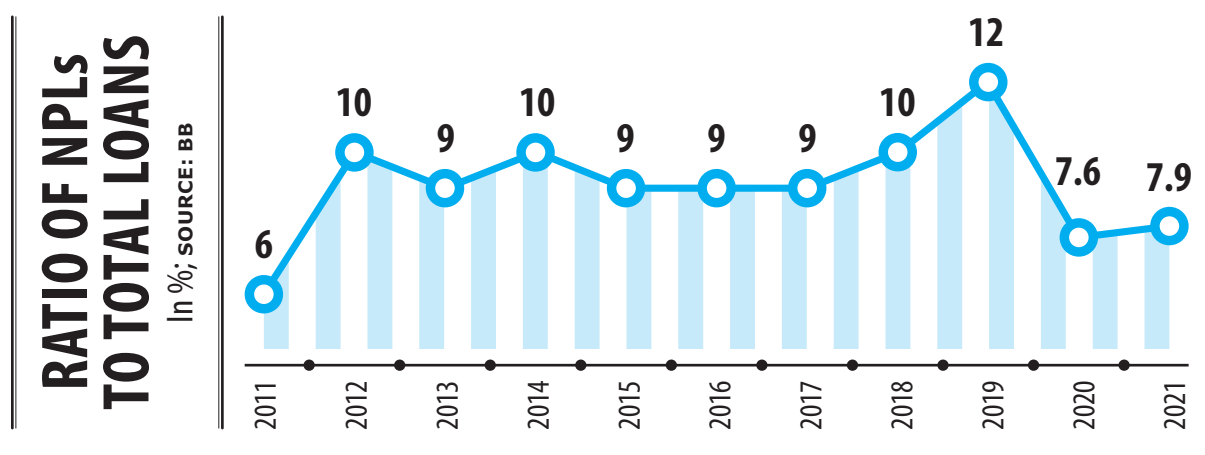
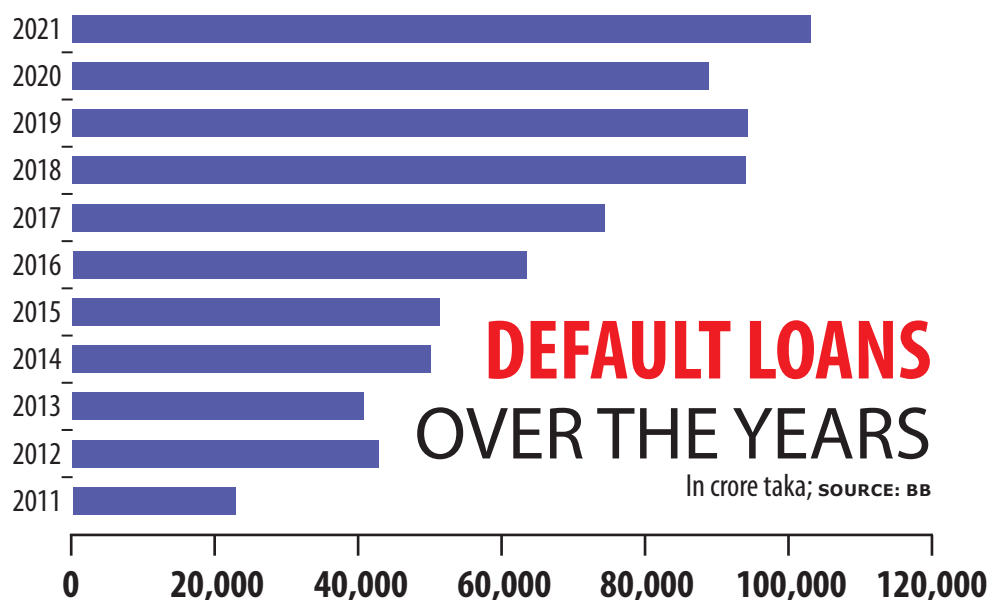


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WHAT EXPERTS SAY...

- Many clients unable to utilise BB's relaxed policy
- Business slowdown caused by pandemic fuelled default loans
- Short-term policy measures do not help reduce NPLs
- Political influence should be disregarded while sanctioning loans
- Banks' boards should be made accountable

Relaxed policies fail to bring down bad loans

Default loans rose 16.38pc in 2021

AKM ZAMIR UDDIN

Default loans in the banking sector surged 16.38 per cent year-on-year to Tk 103,274 crore in 2021, rendering the relaxed loan classification policy unveiled by the Bangladesh Bank largely ineffective.

So, analysts have urged the central bank to take long-term policy measures in order to rein in non-performing loans (NPLs) instead of putting in place short-term steps.

The central bank earlier took various measures, including relaxing the loan rescheduling and classification policies, to get rid of NPLs. But the measures have proved to be ineffective and have not brought any good for the banking sector.

The ratio of NPLs to outstanding loans and advances stood at 7.9 per cent last year in contrast to 7.6 per cent in 2020, according to the BB data released yesterday.

A BB official says that borrowers enjoyed policy support in 2020 and 2021 as the government stepped up to help them withstand the impacts of the pandemic.

For instance, the central bank declared a moratorium facility for borrowers throughout 2020 that helped

reduce NPLs to Tk 88,734 crore, down 6 per cent from 2019.

The relaxed policy continued last year as well.

Under the policy, borrowers were also allowed to avoid slipping into the default zone in exchange of giving only 15 per cent of the total instalments payable last year.

The central bank official says that some borrowers had early filed writ petitions with the High Court so that their loans were not shown as classified. But, the High Court later vacated the petitions following submission of pleas from lenders. As a result, classified loans rose.

Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, said that the business slowdown emanating from the pandemic was one

of the factors for the rise in NPLs.

"We have to make concerted efforts to reduce bad loans. Short-term policy measures have not brought down NPLs. The authorities should take measures on a long-term basis," he said.

Politically linked influential persons frequently intervene in the loan sanction process of banks, causing the health of banks to worsen, said Ahmed. "Such interventions should be stopped in order to ensure corporate governance in the banking sector."

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said that default loans might increase further in the second quarter of 2022 as the impact of the withdrawal of the relaxed loan classification policy would take hold.

He said that many clients had not

BANKS WITH HIGHEST RISE IN DEFAULT LOANS

(As of Dec 2021) SOURCE: BB

| Bank | 2020 | 2021 |
|----------|-------|-------|
| National | 2,085 | 5,956 |
| Agrani | 5,859 | 7,756 |
| Rupali | 3,972 | 5,274 |
| IFIC | 1,035 | 1,813 |
| UCBL | 898 | 1,656 |

used the relaxed policy, so banks were compelled to classify a good portion of loans.

"In addition, some habitual defaulters had not repaid instalments despite repeated attempts from banks. We have to speed up our loan recovery programme in the coming days to decrease NPLs."

Some borrowers who rescheduled their default loans before the pandemic were unable to repay the fund, according to Emranul Huq, managing director of Dhaka Bank.

The private commercial bank

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Bangladesh feels the heat of Ukraine invasion

BPC losing Tk 19cr a day for soaring oil prices

MD NAZRUL ISLAM and MAHMUDUL HASAN

The far-reaching implications of an ongoing rally in oil prices amid Russia's invasion of Ukraine have already descended on Bangladesh as the state-owned Bangladesh Petroleum Corporation (BPC) is losing Tk 19 crore per day.

Before the war in Europe even began, oil prices were already lodged in an upward trend as demand for the fuel outpaced production after global economies started to rebound from the Covid-19 pandemic.

But with Russia, one of the largest oil suppliers in the world, now engaged in battle with Ukraine, the threat of supply disruptions has only made things worse.

With oil topping \$110 a barrel, economists said the subsequent impact on Bangladesh's economy can be seen in rising import payments, fall in export receipts, pressure on the exchange rate, rising commodity prices and soaring inflation.

BPC Chairman ABM Azad told The Daily Star that the way fuel prices are increasing in international markets is a matter of concern.

"We are monitoring the global situation and informing the government about daily updates," he said.

Azad informed that the higher authority has instructed them to continue working on keeping fuel supplies normal.

Octane prices reached \$114.28 per barrel on March 1, up by about 11 per cent from \$102.73 on January 31, according to Platts Asia Pacific/Arab Gulf Marketscan.

The price was \$90.04 on January 3.

BPC officials said not only diesel, but also the price of all types of fuel is now in an upward trend in international markets.

Due to such price hikes in the global market, BPC is incurring losses of Tk 13 per litre when selling diesel and Tk 6 per litre when selling octane.

As such, BPC's daily losses have now reached Tk 19 crore.

"We already raised the oil price but the latest hike is alarming for Bangladesh as once the oil price grows, so too does the price of gas, fertiliser

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With oil topping \$110 a barrel, economists said the subsequent impact on Bangladesh's economy can be seen in rising import payments, fall in export receipts, and soaring commodity prices

Collateral-free loans made available for digital SMEs

STAR BUSINESS REPORT

There's some good news for small-and-medium enterprises (SMEs) based online as Shakti Foundation, a microfinance institution, has joined hands with Delivery Tiger, a courier and parcel service platform, to disburse collateral-free loans among them, including F-commerce companies.

Shakti Foundation and Delivery Tiger collaborated to launch the "e-Loan" product that will enable online entrepreneurs to get up to Tk 5 lakh within five to seven working days after filing an online application.

"Even SME entrepreneurs who cannot apply for SME loans from banks due to the lack of a trade license or other document related issues can easily apply for this e-Loan," said AKM Fahim Mashroor, chief executive officer of Delivery Tiger.

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February exports hit another milestone

REFAYET ULLAH MIRDHA

Earnings from merchandise shipments continued to soar in February, registering growth of 34.54 per cent year-on-year to reach \$4.29 billion on the back of increased garment exports.

February's earnings were the highest in the same month of the past 10 years.

The February receipts are also 18.80 per cent higher than the target of \$3.61 billion. In February last year, Bangladesh recorded merchandise shipments amounting to \$3.19 billion, according to data from the Export Promotion Bureau.

In January this year, earnings from merchandise shipments stood at \$4.85 billion, the second-highest single-month receipts. In December, exporters raked

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Workers at a garment factory are seen busy as the industry has witnessed a rise in work orders in recent months. Garment exports grew 30.73 per cent to \$27.49 billion in the July-February period of the ongoing fiscal year. The picture was taken recently.

PHOTO: PALASH KHAN

STOCKS

| DSEX | CSCX |
|-------------------|--------------------|
| 0.79% 6,699.83 | 0.61% 11,763.28 |

COMMODITIES

| Gold | Oil |
|---------------------------|--------------------------|
| \$1,926.09 (per ounce) | \$109.52 (per barrel) |

CURRENCIES

STANDARD CHARTERED BANK

| | \$ USD | € EUR | £ GBP | ¥ CNY |
|---------|--------|-------|--------|-------|
| BUY TK | 85.05 | 93.73 | 112.44 | 13.24 |
| SELL TK | 86.05 | 97.53 | 116.24 | 13.92 |

ASIAN MARKETS

| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
|----------------------|----------------------|---------------------|---------------------|
| ▼ 1.38% 55,468.90 | ▼ 1.68% 26,393.03 | ▼ 1.04% 3,244.40 | ▼ 0.13% 3,484.19 |