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BUSINESS

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SCAN FOR DETAILS

TOP 5 LOSS-MAKING BANKS

In crore taka (unaudited)
SOURCE: BB

Bank	2020	2021
Janata	5,054	3,559
Padma	151	1,376
BKB	533	596
BASIC	366	390
BCBL	119	158

REASONS BEHIND LOSSES

High rate of NPLs

Financial scams

Culture of impunity enjoyed by scammers

Lack of internal control

Political interference while sanctioning loans

WHAT CAN CURE THE ILLS?

Special monitoring by BB

Strengthening corporate governance

Appointment of skilled directors in state lenders

Disbursement of loans cautiously

Speeding up recovery of NPLs

Scams, higher expenses keep 9 banks in the red

AKM ZAMIR UDDIN

Nine banks, including four state lenders, suffered net losses in 2021, largely as a consequence of financial scams that forced them to set aside higher provisioning.

The banks are Janata, Padma, Bangladesh Krishi Bank (BKB), BASIC, Rajshahi Krishi Unnayan, Bangladesh Commerce, ICB Islamic, Bengal Commercial Bank, and the local operations of Pakistan's Habib Bank, according to the unaudited data submitted by the lenders to the Bangladesh Bank.

The high prevalence of non-performing loans, corruption, a culture of impunity enjoyed by fund embezzlers, and political interference in the sanctioning of loans are responsible for the net losses faced by the banks.

The net loss refers to a company's financial position when total expenses exceed total revenues.

Of the nine lenders, Janata Bank faced the highest amount of net loss amounting to Tk 3,559 crore last year. It incurred a net loss of Tk 5,054 crore in

2020.

Md Abdus Salam Azad, managing director of the lender, blamed the high default loan for the large net loss.

The financial health of the bank, however, has improved as the net loss is shrinking riding on the rescheduling of the default loans, which stood at Tk 12,137 crore last year, or 19 per cent of the outstanding loans.

Some errant persons and business groups, including AnonTex Group and Crescent Group, siphoned off a large amount of money from Janata Bank.

The bank has recently rescheduled Tk 5,000 crore of default loans faced by AnonTex.

Default loans involving Tk 1,200 crore of the group are set to be rescheduled this month, which will help Janata Bank narrow the net loss further, Azad said.

He, however, admits the bank is struggling to reschedule Crescent Group's bad loans of Tk 3,500 crore due to the poor response of the business entity.

The net loss of Padma Bank, which was renamed from The Farmers Bank to leave behind

its legacy of corruption, escalated to Tk 1,376 crore last year from Tk 151 crore the year before.

Tarek Reaz Khan, managing director of Padma Bank, says the bank did not deduct the provisioning while calculating

the net loss for 2020.

But it took into account the provisioning to compute the net loss for last year, sending the net loss to high, he said.

Padma Bank is trying to attract foreign investors in a bid to strengthen its capital base.

The central bank has recently allowed the lender to remove the net loss from its balance sheets, allowing it to show it as intangible assets until 2032, Khan said.

The cumulative net loss of the bank stands at around Tk 2,100 crore.

The net loss at BASIC Bank was Tk 390 crore last year compared to Tk 366 crore in 2020.

The net loss would have

managed a net profit of Tk 8 crore in the January-March quarter, improving from a net loss of Tk 125 crore during the same period a year ago.

BKB's net loss widened to Tk 596 crore in 2021 from Tk 533 crore in 2020.

"We give out loans to farmers without imposing any service charge. So, we have hardly managed to make any profit in recent years," said Md Ismail Hossain, managing director of BKB.

Salehuddin Ahmed, a former governor of the central bank, says that some banks have been facing net losses for years due to a lack of corporate governance.

"The central bank should pressurise the banks to beef up their efforts to recover NPLs and compel them to follow internal control and compliance strictly."

Fahmida Khatun, executive director of the Centre for Policy Dialogue, says that some of the banks were forced to approve loans on political considerations.

"Both the central bank and



Consumption of rice to rise marginally

USDA says

STAR BUSINESS REPORT

Bangladesh's rice consumption may marginally rise to 3.7 crore tonnes in the marketing year (MY) 2022-23 as the government continues to run food assistance programmes for the poor for a recent food price hike, said the US Department of Agriculture (USDA) last week.

"Population growth will also lead to higher rice consumption in the coming years," said the agency in its annual grain and feed report on Bangladesh.

The USDA estimates that Bangladesh consumed 3.67 crore tonnes of rice in MY 2021-22 beginning from May, marking the harvest of Boro, the principal rice crop.

"Bangladesh's feed industry is also using broken rice as a filler in various feed formulas. Due to the recent high price of



Population growth will lead to higher rice consumption in the coming years, said the US Department of Agriculture.

PHOTO: STAR

Banks asked to curb non-essential imports

First such BB move in two decades

AKM ZAMIR UDDIN

The Bangladesh Bank yesterday ordered banks to immediately adopt strict measures to discourage imports of non-essential items in a bid to rein in the escalating import payments and avert any pressure on the foreign currency reserves.

This is the first such move from the central bank in nearly two decades, as pressures are mounting on the reserves and the exchange rate amid economic volatility globally, said an official of the BB.

Now banks have to impose at least 25 per cent margin on the opening of letters of credit for non-essential consumer goods. This means importers have to deposit at least 25 per cent of the total import costs while opening LCs.

The central bank said baby food, fuel oil, life-saving drugs, and the products for the farm, export and local industrial sectors would be out of the purview of the new instruction.

The move is part of the BB efforts to run the monetary and credit programmes properly given the ongoing global state of affairs, according to a BB notice.

Banks have been asked to implement the instruction with immediate effect.

Economists and analysts have recently suggested the central bank discourage non-essential imports to keep the country's foreign exchange reserves stable as higher commodity prices owing to persisting supply chain disruptions and the Russia-Ukraine war sent import payments higher.

Imports stood at \$54.37 billion in the first eight months of the current fiscal year, an increase of 46.7 per cent year-on-year, data from the BB showed.

As a result, the trade deficit, which occurs when the value of imports exceeds the value of exports, totalled \$22.30 billion in the July-February period in contrast to \$12.35 billion recorded during the same period a year ago.

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Pay salary, bonus by April 28

Govt asks factory owners

STAR BUSINESS REPORT

The government has instructed factory owners to pay their workers' salaries, bonuses and arrears for March and April by April 28, following which a public holiday marking Eid-ul-Fitr will begin.

Monnujan Sufian, state minister for labour and employment, issued the directive at a meeting with trade union leaders and factory and industry owners at Shrama Bhaban in Dhaka yesterday.

Sufian also asked the owners to take note of the public holidays in their planning for resuming operations after the celebrations.

She urged the owners to pay workers at least 15 days' salary for April if they find it difficult to pay that for the whole month.

Paying the whole month's salary will be highly appreciated as the Eid will be celebrated on the first week of May, she said.

The instruction is applicable for all formal, informal, public and private companies and enterprises, Sufian said.

However, she said that since there are some challenges pertaining to the shipment of goods, the holiday could be deferred in some cases or workers could be asked to work even during the holiday.

In such cases, consultations are needed among the factory owners, trade union leaders and workers so that any kind of untoward incident can be avoided, she added.

Sufian also suggested that the owners allow holidays in phases or sequentially according to zones to avoid traffic congestion on roads and highways.

Union leaders, representatives of the factory owners of different industrial sectors and government high-ups participated in the meeting.

STOCKS

DSEX ▼	CSCX ▼
0.35%	0.25%
6,638.56	11,696.39

COMMODITIES

Gold ▲	Oil ▼
\$1,951.75 (per ounce)	\$93.93 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.81%	▼ 0.61%	▼ 0.58%	▼ 0.61%
58,964.57	26,821.52	3,363.56	3,167.13