

# Star BUSINESS

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## OPPORTUNITY COST OF NPLs

Total default loans: TK 103,274cr

(As of Dec 31, 2021)

### What can Bangladesh do with Tk 103,274cr?



Build **3** road bridges like Padma Multipurpose Bridge (Assuming cost is **Tk 30,193cr**)



Build **2** railway bridges like Padma Bridge Rail Link (Assuming cost is **Tk 39,247cr**)



Build **2** powerplants like Matarbari 2x600 MW Ultra-Super Critical Coal-Fired Power Project (Assuming cost is **Tk 35,984cr**)



Build **4** metro rails like Dhaka Mass Rapid Transit Development Project (Assuming cost is **Tk 23,490cr**)



Build **5** railway lines like Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and from Ramu to Ghundum (Assuming cost is **Tk 18,034cr**)

SOURCE: CPD REPORT ON STATE OF BANGLADESH ECONOMY IN FY22



## Leading decent life becoming expensive: CPD

STAR BUSINESS REPORT

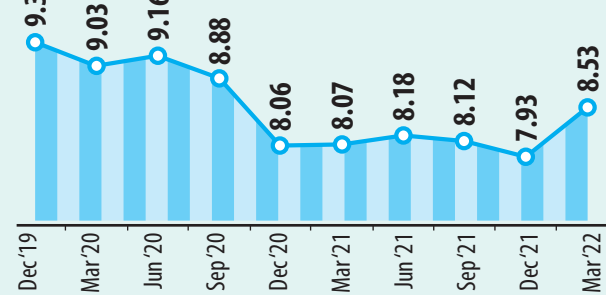
The surging inflation in Bangladesh has sent living costs to such an extent that many families are grappling to maintain a decent life with limited budgets, said the Centre for Policy Dialogue (CPD) yesterday.

A four-member family requires at least Tk 29,206 to live in Dhaka even if they compromise on their diets. The amount is far below the minimum wages of labourers working in the industrial sector, it said.

In order to cope with the higher cost of living, the low-income families are forced to trim their lists, said the think-tank at a media briefing at its office on the state of Bangladesh's economy in

## DEFAULT LOANS OVER THE QUARTERS

In % of total loans; SOURCE: BB



## WHY DEFAULT LOANS ROSE

- Absence of moratorium on loans
- Rise in willful defaulters
- Crisis still faced by small businesses
- Deterioration of BB monitoring
- Feeble business recovery from pandemic
- Business slowdown in global market

# Default loans surge as relaxed loan policy goes

AKM ZAMIR UDDIN

Default loans in the banking sector surged 19.3 per cent year-on-year in the first quarter of 2022 to reach one of the highest levels in Bangladesh's history, driven by the withdrawal of the relaxed loan classification policy.

Non-performing loans (NPLs) totalled Tk 113,441 crore in March, only behind Tk 116,288 crore of default loans, the highest ever, hit in September 2019.

Analysts, however, blamed the deterioration of corporate governance amid lax monitoring by the Bangladesh Bank for the higher NPLs.

Earlier, the central bank took several measures, including easing of the loan rescheduling and classification rules, in order to get rid of NPLs. But the moves have largely failed to produce expected results and restore the financial discipline in the banking sector, which was reflected in the higher default loans in the January to March quarter.

Default loans increased 9.84 per cent in March from three months ago when it stood at Tk 103,274 crore.

The ratio of default loans accounted for 8.53 per cent of outstanding loans in March, up from 8.07 per cent a year earlier.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said that the withdrawal of the relaxed loan classification, which the BB had introduced to help borrowers stay afloat amid the business slowdown caused by the pandemic, was one of the main drivers for the spike in NPLs.

The central bank maintained a moratorium

facility for borrowers throughout 2020.

As a result, banks did not reclassify the credit status of borrowers, bringing NPLs down to Tk 88,734 crore, a decrease of 6 per cent on 2019.

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



The relaxed policy continued last year, as well as the coronavirus pandemic, kept hurting the economy and the businesses.

Rahman says small and medium enterprises (SMEs) have been hit hard by the pandemic as demand plummeted, and many of them are still facing difficulties.

"Many SMEs have become defaulters."

The banker, however, notes that default loans usually climb up in the first quarter of a year as banks opt for the period to classify loans so that the borrowers repay during the rest of the year.

Emranul Huq, managing director of Dhaka Bank,

said some clients might have failed to pay back their loans obtained under the stimulus packages declared by the BB to offset the slowdown.

Central bankers say many banks have their writ petitions, filed by the defaulters, vacated in courts in the first quarter, sending NPLs high.

Salehuddin Ahmed, a former governor of the central bank, thinks a group of delinquent borrowers are not repaying loans on the excuse of the pandemic.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the apex trade body of the country, has recently demanded the central bank extend the relaxed loan classification policy until December.

"The central bank should not entertain the FBCCI proposal since previous experiences of relaxed policies did not bring any positive for the economy," Ahmed said.

The central bank has loosened its monitoring of the banking sector due to the ongoing foreign exchange crisis. The laxity in monitoring is not a positive sign for the financial sector, he said.

"Instead, the health of the banking sector should have strengthened at this moment as the economy is now fighting against the global crisis stemming from the Russian-Ukraine war."

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, also echoed Ahmed on the central bank's monitoring.

"The ongoing global business crisis has had an adverse impact on the local businesses, so NPLs are on the rise," Hossain said.

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the fiscal year of 2021-22.

"Apart from the higher price of basic food items, the high price of non-food items is putting a huge burden on households. Crowd-sourced data shows that maintaining even a modest standard of living is becoming prohibitively expensive for households in Dhaka," said CPD Executive Director Fahmida Khatun.

Inflation shot up to 6.29 per cent in April, the highest in 18 months. It was 6.22 per cent in March.

Based on the data of the Bangladesh Urban Socioeconomic Assessment Survey 2019 conducted by the Bangladesh Bureau of Statistics, the CPD said the cost of a basket of 20 common food items for a four-member family in Dhaka city was Tk 21,358 on May 30.

If the family never consumes fish, mutton, beef or chicken, the average monthly cost of food for the household would stand at Tk 8,016.

The average cost of living, including non-food expenditures such as house rents, for a household of four on a "regular" diet and living in an apartment with one bedroom outside the Dhaka city would be around Tk 42,548, said the CPD.

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STOCKS	
DSEX ▲	CASPI ▲
0.71%	0.78%
6,497.39	19,039.35

COMMODITIES	
Gold ▼	Oil ▲
\$1,851.1	\$120.41
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.08%	▲ 1.27%	▲ 0.16%	▲ 0.42%
55,769.23	27,761.57	3,231.97	3,195.46

## 85pc firms want Bangladesh-Japan FTA: survey

STAR BUSINESS REPORT

About 85 per cent of the local and Japanese companies with operations in both nations want their respective governments to sign a free trade agreement (FTA) so that they can continue enjoying duty benefits after Bangladesh graduates from the UN's list of least developed countries in 2026, according to a survey.

Meanwhile, some 20 per cent or 26 Japanese companies want to relocate from Bangladesh to more competitive countries in the Association of Southeast Asian Nations (Asean) if an FTA is not signed.

Only one company was against signing an FTA as it would render the incentives for garment factories housed inside export processing zones redundant. Of the local companies surveyed, some 87 per cent, or 26 multinational companies, want an FTA between the two countries.

Six companies did not respond while 8 per cent of respondents had no particular opinion on the question of signing an FTA.

The Japan External Trade Organization and Japan-Bangladesh Chamber of Commerce and Industry jointly conducted the survey between August 5 and October 14 last year.

The survey organisations sent questions to 300 companies of Bangladeshi and Japanese origins having operations in both countries. However, some 142 companies responded to the queries.

The existing rules of origin (ROO) in the GSP for garment products should be continued. Standard tariff classification changes will come into play if the ROO to

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The real interest rate on bank deposits has reached an unprecedented stage in recent past causing the value of the savings of ordinary people to fall, an expert says.

PHOTO: STAR

## Saving money in banks no more attractive

STAR BUSINESS REPORT

Parking money in banks is no longer attractive as surging inflation is eating away 2.2 per cent of savings in real terms, effectively discouraging depositors, states an analysis of the Centre for Policy Dialogue (CPD).

"The real interest rate on bank deposits has reached an unprecedented stage in the recent past periods causing the value of the savings of ordinary people to be depleted," said CPD Executive Director Fahmida Khatun.

The analysis was presented at a CPD media briefing on the think tank's premises in the capital yesterday on the "State of the Bangladesh Economy in FY21-22".

It said the real deposit rate, calculated as the weighted average of the monthly deposit rate of all

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