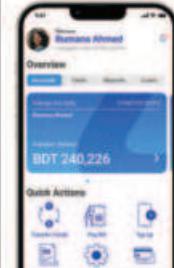


# star BUSINESS



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## Why the banks face high NPLs

-  Weak corporate governance
-  Political influence in sanctioning loans
-  Unholy alliance between directors and political leaders
-  Relaxed policies followed by BB

## How to contain defaulted loans

-  Legal action should be taken against defaulters
-  BB should adopt strict policies
-  Board members, management should be appointed based on skills
-  Banks' internal control and compliance should be strengthened

### BANKS WITH HIGHEST DEFAULT LOANS

(In terms of percentage of total loans)

SOURCE: BB

	Default loan	In % of total loans
NBP	1,369	99
ICB Islamic	680	83
Padma	3,950	68
BASIC	8,249	59
BCBL	985	42
BDBL	768	36
Janata	17,263	25
National	9,394	23
RAKUB	1,430	21.5
Sonali	12,126	17.7
Rupali	6,466	17.3
Agrani	10,558	17.2

\* The 12 banks hold 58.4pc of total default loans in banking sector as of June



Legal action should be taken against the habitual defaulters, and the legal process should be completed as early as possible.

ABM Mirza Azizul Islam,  
a finance adviser to a former caretaker government

## Daunting time for fixed-income people as inflation bites

SUKANTA HALDER and MD ABU TALHA SARKAR

Mohammad Shabuj Sheikh has cut back on food expenditure. Shibly Ahmed has eliminated all non-essential purchases for his children, and a junior banker has let go of her domestic help.

Despite living in three different parts of the country, the three fixed-income people are fighting a common enemy: runaway inflation amid no adjustments in salaries.

They are among hundreds of thousands of people in Bangladesh who are facing an acute form of inflation as essentials are gradually going beyond their reach since the price increases have trumped their monthly salaries following the hike in fuel prices, the rising costs of basic commodities, transport fares, medical expenses and education expenditures.

According to state-run Trading Corporation of Bangladesh, the price of plain rice has increased by 12 per cent in the last one year, non-branded flour by 58 per cent, branded flour by 44 per cent, loose soybean oil by 37 per cent, bottled soybean oil by 33 per cent, lentils by 38 per cent, potato by 28 per cent, sugar by 17 per cent, and farm eggs by 32 per cent.

The transport fare has gone up twice in the last nine months – first on November 5 and the second on August 6 – after the government revised upwards fuel prices to pass their higher international prices on to the public.

A surge in consumer price was reflected by higher food inflation, which stood at 8.19 per cent in July, slightly down from a multi-year high of 8.37 per cent a month ago. Non-food inflation rose six basis points to 6.39 per cent in the same month.

The fixed-income groups are particularly at far higher risk than other income groups as their salaries have not been revised in line with the rise in the cost of living.

Mohammad Shabuj Sheikh, a young man working as a security guard in Mirpur's Pallabi area, is buying less than necessary as the price of daily essentials has surged.

"I can't even afford the most important things right now. I'm eating less because my income has not increased," he said.

Shabuj's mother lives in Savar and he used to visit twice a month. But since the two-way transport fare has gone up Tk 100 following last week's unprecedented increase in fuel costs, the 22-year-old has

ditched plans to go on to visit her this month.

His plight does not end there. Shabuj's wife is pregnant and the young couple hope to welcome their first baby in four months. His wife is now living with his grandparents in his village home in Magura.

He gets a salary of Tk 12,000 per month, with Tk 3,500 spent as house rent, Tk 2,500 for food

support the family's expenses, he has had to persuade his wife to join a garment factory as a worker so that she too can contribute to the family in this distressing situation.

Shibli Ahmed, a resident in Agargaon who works in a private company in the New Market area, has stopped riding rickshaws as the fare has doubled in a span of three months and is

and a half months. As a result, he was forced to cut down on fish and meat consumption.

His family used to eat fish for 15 days a month and chicken meat once a month. Owing to higher prices, the family consumed fish only four times in July, and no meat was purchased in the month.

Rui, katla, climbing and tilapia fish are Tk 50-100 costlier per kilogramme compared to a year ago, whereas the broiler chicken price has gone up by 44 per cent.

Haque also has to support his septuagenarian parents, who have old age complications.

"The cost of medicines has risen," he said.

"How long will I be able to meet the family expenses?" said Haque, adding that he has already borrowed Tk 7,500 to bear the family expenses.

The junior officer of a bank in Natore says the monthly kitchen market bills have gone up to Tk 4,500 from Tk 2,500 three months ago.

This prompted her to reduce fish and meat consumption and turn more to vegetables.

"We are not buying any clothing items unless absolutely necessary. There is no purchase of cosmetics. We had to let go of the temporary house help."

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and the remainder is sent to his wife. This leaves him with nothing to save.

"After a few months, our child will come to the world. I will need some more money for the baby. How will I manage it?" said Shabuj, with a sigh of relief.

Arif Hossain, a garment worker in Savar, has been the breadwinner of his four-member family since his father fell ill two years ago.

Since his incomes don't

no longer readily willing to meet his daughter's demands for toys.

"I have also stopped going to social events for more than three months."

Zahirul Haque works for a non-government organisation in Madhabpur of Habiganj as a field worker earning Tk 10,000 a month.

The breadwinner of the three-member family, the 27-year-old says his financial condition has been worsening for the last one

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Plastic bags continue to be used for packing rice in spite of a government decision in late 2013 making jute sacks mandatory for rice packaging in a bid to increase the use of the eco-friendly product and prop up the struggling jute industry. The photo was taken at Zero Point in Dhaka yesterday.

PHOTO: ANISUR RAHMAN

## Draft rules on media platforms to choke growth

### An expert says

STAR BUSINESS REPORT

Two new draft regulations on digital, social and over-the-top (OTT) media platforms will choke the sector's growth, discourage foreign and local investment and likely violate fundamental rights such as freedom of speech and expression, said an expert yesterday.

The requirement of appointing compliance and resident officers will increase business costs of the platforms, said Barrister Rashed Imam, who practices at the Supreme Court of Bangladesh.

Imam was presenting a paper on "Regulation of Digital, Social Media & OTT Platforms: The need to strike the right balance" organised by the Federation of Bangladesh Chambers of Commerce and Industry at its office.

The seminar comes at a time when Bangladesh Telecommunication Regulatory Commission (BTRC) has published a draft on "Regulation for Digital, Social Media and OTT Platforms 2021" while the information ministry a draft regulation on content-based OTT service provision and operation and display of advertisement guideline 2021.

Once the two drafts were published, there was public outrage and non-government organisations and OTT and social media platforms voiced concerns over those, she added.

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## Dozen banks hold about 60pc default loans

AKM ZAMIR UDDIN

Twelve banks accounted for 58 per cent of the total default loans in Bangladesh in June as irregularities show no signs of abating while existing bad debts have remained unrecovered in the absence of strong action.

Collective non-performing loans (NPLs) at the banks, which include seven state-run lenders, stood at Tk 73,238 crore in the month when the stock of classified loans in the entire banking sector reached Tk 125,258 crore, from the Bangladesh Bank showed.

The banks are National Bank of Pakistan, ICB Islamic, Padma, BASIC, Bangladesh Commerce, Bangladesh Development Bank, Janata, National, Rajshahi Krishi Unnayan, Sonali, Rupali, and Agrani Bank.

Persistently high NPLs are drag on economic activity, tie up bank capital that could otherwise be used to expand lending, lower bank profitability, and raise bank funding costs, according to the International Monetary Fund.

And local experts say irregularities were committed in the banks as they had not followed rules while approving and disbursing loans. Besides, there is an unholy nexus between the directors of the banks and a section of politicians, contributing to the deterioration of financial health.

Of the banks, Padma Bank faced NPLs to the tune of Tk 3,950 crore as of June, which is 68 per cent of the private commercial bank's total outstanding loans.

Established in 2013 as Farmers Bank, the lender had fallen prey to scammers. Central bank investigations found that more than Tk 3,500 crore was siphoned off between 2013 and 2017.

The bank fell into deep trouble after depositors, which included government agencies,

**Persistently high NPLs are drag on economic activity, tie up bank capital that could otherwise be used to expand lending, lower bank profitability, and raise bank funding costs**

started pulling out their money as allegations of corruption arose against Muhiuddin Khan Alamgir and Md Mahabubul Haque Chisty, then board chairman and the chairman of the audit committee, respectively.

Tarek Reaz Khan, managing director of Padma Bank, said the bank had already taken a number of initiatives, including forming the recovery relationship unit, so as to realise NPLs.

It got back bad loans of Tk 72 crore in the seven months to July and another Tk 130 crore might be recovered this year, he said.

State-owned Janata Bank faced NPLs amounting to Tk 17,263 crore, or 25 per cent of the total loans.

The lender has also faced several loan scandals in recent years, which pushed up the default loans to a large extent.

Some entities such as AnonTex Group, Crescent Group and Ratanpur Steel Re-Rolling Mills embezzled funds from the bank in the name of loans.

AnonTex alone accounted for NPLs of Tk 1,209 crore, according to Md Abdus Salam, managing director of Janata Bank.

"We are now trying to reschedule the loan by taking required down payments from the business entity with prior approval of the central bank," he said.

NPLs with Crescent Group stand at Tk 3,572 crore.

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DSEX ▼	CASPI ▼
2.59% 6,148.77	2.22% 18,127.68

COMMODITIES	
Gold ▲	Oil ▼
\$1,801.89 (per ounce)	\$91.82 (per barrel)

ASIAN MARKETS			
Mumbai	Tokyo	Singapore	Shanghai
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