Star BUSINESS

AT A GLANCE

- Loans written off by banks fell in first half
- Defaulted loans have been on an upward curve
- For written-off loans, banks have to keep 100pc cash provisioning
- Provisioning amount is set aside from operating profits
- Many banks now show reluctance to write off loans

WRITTEN-OFF LOANS

June this year: Tk **43,360**cr
Dec last year: Tk **44,083**cr
June last year: Tk **43,543**cr

DEFAULTED LOANS

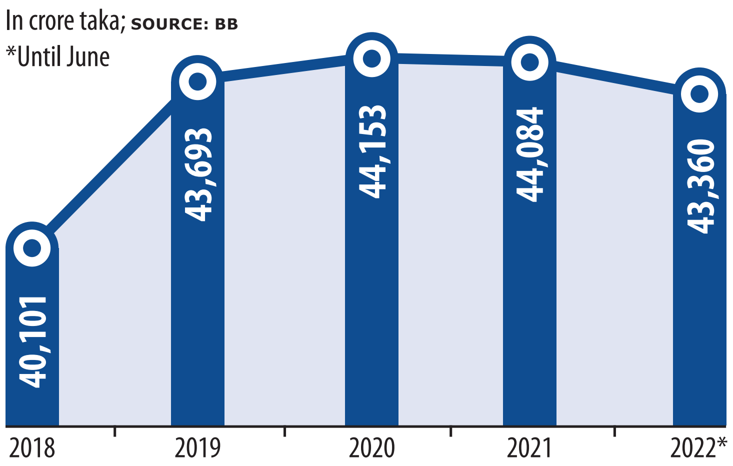
June this year: Tk **125,257**cr
June last year: Tk **99,205**cr

WHEN ARE LOANS WRITTEN OFF?

- When loans are entirely provisioned
- When there is no realistic prospect of recovering them

LOANS WRITTEN OFF BY BANKS

In crore taka; SOURCE: BB
*Until June



Loan write-off declines

AKM ZAMIR UDDIN

Loans written off by banks in Bangladesh declined in the first half of 2022 despite the upward trend of default loans.

As per the rules, banks have to keep 100 per cent provisioning against delinquent assets and the coverage has to come from operating profits.

So, many banks show reluctance in writing off loans, which goes on to explain why the volume of sour loans has not fallen substantially.

The outstanding amount of write-off loans stood at Tk 43,360 crore in June this year in contrast to Tk 44,083 crore six months ago, data from the Bangladesh Bank showed. It amounted to Tk 43,543 crore in June last year.

Usually, loans are written off when they are entirely covered by cash and there is no realistic prospect of recovering them. These assets are shifted to off-balance sheet records.

But banks are not cleaning up their balance sheets despite the escalation in non-performing loans (NPLs): defaulted loans hit an all-time high of Tk 125,257 crore in June, an increase of 26.3 per cent from Tk 99,205 crore a year prior.

NPLs accounted for 8.96 per cent of the total outstanding loans of Tk 13,98,592 crore as of June.

One of the reasons many banks ignore tidying up their balance sheets by writing off loans is to enjoy a higher net profit, a central bank official explains.

A majority of banks managed a hefty profit in the January to June half this year thanks to the recent rebound of businesses from the coronavirus pandemic and the fluctuation of the exchange rate of the taka against the US dollar. Still, many showed unwillingness to remove the bad loans from the balance sheets.

Lenders are allowed to show 50 per cent of the collateral as provisions against default loans. This means banks can avoid keeping the 100 per cent mandatory cash provision against NPLs.

As per BB regulations, banks have to maintain provisioning of 0.25 per cent to 5 per cent for unclassified loans. It is 20 per cent for the default loans of the substandard category, 50 per cent for the doubtful category, and 100 per cent for the bad or loss category.

Banks have to keep a full amount in cash in provision for the NPLs that are written off.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, says the banks that enjoy sound financial health usually write off NPLs.

"Although writing off bad debts helps them clean up their balance sheets, maintaining a 100 per cent cash provision is difficult for many banks."

Banks recovered Tk 565 crore through writing off loans between January and June compared to Tk 225 crore in the identical first half of 2021, bringing down the outstanding amount of write-off loans.

Since the facility was introduced in Bangladesh in 2003, a total of Tk 60,402 crore has been written off. Of the sum, Tk 43,360 crore has remained unrealised.

The amount of funds that was recovered through the process increased substantially in the first half of 2022, which Rahman described as a positive development for the banking sector.

The enhanced recovery has helped reduce the outstanding amount of the write-off loans as well.

Although the provision base has expanded to some extent, there is still a large provisioning shortfall in the banking sector of Bangladesh.

The provision deficit stood at Tk 13,219 crore in June in contrast to Tk 14,007 crore six months earlier.

Mohammad Ali, additional managing director of Pubali Bank, also said keeping 100 per cent provisioning is difficult for the weak banks. "The capacity of writing off loans is not the same for every bank."

Shah Md Ahsan Habib, a professor of the Bangladesh Institute of Bank Management, said writing off bad loans is not always bad.

"It also shows how much of soured loans a bank can absorb. It is a matter of decision as well."

"We need to check and analyse data before concluding on the association between increasing NPLs and decreasing loans write-off," he added.

Anis A Khan, a veteran banker, sees the fall of the write-off loans as a good sign.

"This means that banks' efforts to recover bad loans have paid off to some extent."

Govt securities to trade in bourses from Monday

AHSAN HABIB

Trading of government securities is going to start on the stock exchanges from Monday in a bid to make general investors accustomed to dealing with these treasury bonds and bills.

In a circular Bangladesh Bank said government treasury bonds and treasury bills were now already traded at Over The Counter (OTC) and Anonymous Order Matching trading platforms.

To facilitate the participation of general investors in trading treasury bonds and bills, the exchanges would be allowed on the Dhaka Stock Exchange and Chittagong Stock Exchange trading platforms on a trial basis.

This is going to end a wait of more than a decade and offer one more investment tool to retail investors who are reliant on only shares and mutual funds.

Until August this year, 222 government treasury bonds were listed at Dhaka Stock Exchange valuing Tk 593,59 crore or $6.2 billion.

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CHINA-LED TRADE DEAL

Further studies underway on joining RCEP

REFAYET ULLAH MIRDHA

The Bangladesh Trade and Tariff Commission (BTTC) is conducting further studies on possible outcomes of the country joining the world's largest China-led trade deal, Regional Comprehensive Economic Partnership (RCEP), Senior Commerce Secretary Tapan Kanti Ghosh said yesterday.

In July this year, the BTTC in a study said Bangladesh would greatly benefit in international trade if the country joins this mega regional trade deal.

"However, we need to conduct more studies before joining the RCEP as some terms and conditions seem tough for us to abide by," Ghosh told The Daily Star at his office in Dhaka yesterday.

So, the BTTC has been assigned to conduct studies on the RCEP further, Ghosh said, adding that Bangladesh's target was to grab a bigger market share under the 10-member Association of Southeast Asian Nations (Asean) trade bloc alongside another six countries by joining the RCEP.

"We could see that Bangladesh imports more from the RCEP signatory countries," Ghosh said, adding that Bangladesh has been looking to find ways to export more goods by signing the RCEP agreement.

Bangladesh imports textile materials and capital machinery from the RCEP nations.

Once Bangladesh makes the United Nations status graduation from a least developed country (LDC) to a developing one, preferential trade benefits will erode and Bangladesh will need preferential market access globally by signing trade agreements.

"We will sign trade deals keeping in minds three important factors including protecting our domestic industries, revenue generation by the government from import tariff and market access after the LDC graduation," Ghosh said.

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STOCKS

DSEX ▲	CASPI ▲
0.37%	0.22%
6,569.50	19,332.60

COMMODITIES

Gold ▼	Oil ▼
$1,712.39	$87.77
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.27%	▲ 0.70%	▼ 0.05%	▼ 0.55%
58,222.10	27,311.30	3,151.56	3,024.39

Evaly's transaction records lost for Rab

Claims co-founder Shamima

STAR BUSINESS REPORT

Following a raid last year, the Rapid Action Battalion (Rab) did not lock up Evaly's headquarters, which enabled looting and for which registers and documents could not be provided to an audit team, claimed Evaly co-founder Shamima Nasrin yesterday.

"On the day that Rab arrested us at our house, another team of Rab entered the headquarters of Evaly that afternoon and kicked out all the officers and employees without giving any time," she said.

The Rab team stayed for some time and left without locking the doors or anyone in charge of the keys, she said at an online press conference on contemporary issues involving Evaly.

Left unguarded and open for several days, office furniture, computers, equipment including laptops and closed-circuit cameras were looted, said Nasrin.

"Along with these goods, all the necessary documents, and registers of the office are lost from the office," she said.

She said this theft was clearly mentioned by a former Board of Directors which submitted a report to the High Court.

She said all transactions and expenditure accounts were properly maintained in the office.

However, auditors earlier found that Evaly was accountable for more than Tk 6,000 crore-worth transactions but had "very poor, unreliable, unorganised, incomplete books and records".

Neither the list of customers who paid advances to the company could be obtained nor the list of merchants.

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Miniket rice continues to be sold in markets though the Department of Agricultural Marketing in early August announced that marketing rice under this name is illegal. The photo was taken at Karwan Bazar in the capital yesterday.

PHOTO: PRABIR DAS

Miniket sale prevails

SUKANTA HALDER

The Department of Agricultural Marketing (DAM) under the agriculture ministry in early August had announced that marketing of miniket rice in the country's markets has to be stopped.

But apparently little state measure has come about in the last two months as miniket rice continues to be sold in the markets as before.

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Corrigendum

In a study-based report headlined "Apparel export can hit $95b by 2030 riding on MMF" published on October 5, it was inadvertently mentioned that the event where the study findings were revealed was organised by the planning ministry. Actually, the programme was jointly organised by the Economic Relations Division and Bangladesh Garment Manufacturers and Exporters Association. We regret the error.