

# star BUSINESS



## IFC wants to issue \$4b bond in local market

AHSAN HABIB

International Finance Corporation (IFC) wants to issue taka denominated bonds worth \$4 billion, either through public issuance or private placement, among local investors to lend the proceeds to projects in Bangladesh.

It has already issued local currency bonds among domestic investors in the Philippines and India, where the funds were lent to priority sectors.

Earlier, the IFC successfully issued a three-year Tk 80 crore taka-denominated bond, coined "Bangla Bond", at London Stock Exchange.

Its iconic bell ringing ceremony was held in November 2019 and the proceeds were used to support food safety with an agribusiness client in Bangladesh.



Stock market analysts welcome the move, saying it would inspire local stock investors to make new investments in the bond market.

The World Bank Group member sent a letter to the Ministry of Finance last year requesting approvals required under its "Articles of Agreement".

In response, the ministry sent a letter to the Bangladesh Securities and Exchange Commission (BSEC) asking whether the stock market regulator has any objection.

The BSEC replied it had none. "However, the IFC will have to apply and take approval to issue bonds from the BSEC following the securities rules and regulations," it said.

The IFC is keen to expand its financing in taka for clients in Bangladesh who do not generate US dollars as a part of their daily operations, the IFC said in its letter.

The bonds will help support the growing financing needs of various priority sectors, including agriculture, manufacturing, those related to climate change, microfinance and lenders focusing on small and medium enterprises and women-owned enterprises.

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## SECTOR-WISE DEFAULT LOANS

As of Dec 2021; SOURCE: BB

| Sectors                         | Total loans  | NPL in % of total |
|---------------------------------|--------------|-------------------|
| Ship building, ship breaking    | Tk 20,236cr  | 18.75             |
| Small, medium and cottage       | Tk 53,531cr  | 13.14             |
| Leather, leather-based industry | Tk 11,740cr  | 10.98             |
| Trade and commerce              | Tk 255,943cr | 10.84             |
| Textile                         | Tk 103,635cr | 8.96              |
| RMG                             | Tk 145,261cr | 8.22              |
| Transport, communication        | Tk 21,198cr  | 8.01              |
| Credit card                     | Tk 7,078cr   | 7.77              |
| Credit to NBFIs                 | Tk 7,297cr   | 7.39              |

## MAJOR REASONS

behind NPL concentration



Global financial crisis of 2007-08 dealt a blow to ship building



Habitual defaulters are blamed for ship breaking sector's plight



SMEs faced adversity during pandemic



Price fluctuation in global market behind high NPLs in trade and commerce



Majority of leather-based industries failed to understand the market trends



Some NBFIs are in dire straits due to scams



Many credit cardholders are now in a difficult situation for economic crisis



Banks did not follow proper rules while giving out loans



# 9 sectors hold 70pc bad loans

AKM ZAMIR UDDIN

Around 70 per cent of default loans in the banking sector is concentrated in nine sectors of the economy as many borrowers are finding it difficult to pay instalments for the dragging economic slowdown while willful defaulters are also a major factor.

The nine sectors are ship-building and ship-breaking, small and medium enterprises, leather, trade, textile, readymade garment, transport, credit card, and non-bank financial institutions (NBFIs).

Non-performing loans in the sectors stood at Tk 71,030 crore in December out of a total default loan of Tk 101,935 crore, according to the Financial Stability Report released by the Bangladesh Bank on Monday.

The business slowdown stemming from the coronavirus pandemic along with the ongoing economic crisis has hurt the borrowers in the nine sectors. In addition, banks also gave out loans without following corporate governance, pushing up NPLs.

As of December, banks disbursed funds to the tune of Tk 20,236 crore to the ship-building and ship-breaking

industry. Of the sum, 18.87 per cent has turned bad.

Banks gave out loans generously to the ship-building and ship-breaking industry in 2005-2006 as local yards won eye-catching export orders, according to Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Although the BB has relaxed rules on loan repayment from time to time for the shipbuilding sector, it has not turned around yet.

The export of ships, boats and floating structures was only \$0.24 million in the last fiscal year, the lowest in a decade, data from the Export

willful defaulters have mainly brought woes for the ship-breaking sector, the second-largest in the world after India in 2022.

Meanwhile, the cost of scrap vessels escalated in the global market, creating a major problem for the local yards.

In December, the default loans in the SME sector accounted for 13.14 per cent of the total funds disbursed by banks.

"Businesses in the sector usually face various challenges. The coronavirus pandemic has compounded those challenges," said Rahman.

"So, some banks are slowing down the disbursement of the loans going to the sector."

Of the Tk 255,943 crore extended to the trade and commerce sector as loans, 10.84 per cent have become bad.

Banks extended credit support, also known as commercial loans, to traders to meet the financing requirement for their day-to-day operations and facilitate imports.

Rahman says the price fluctuation in the global market has created a difficult condition for businesses, the key reason for the concentration of default loans in the sector.

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Existing companies pumped hundreds of crores of taka into expanding their footprint. New shipbuilders also sprang up. But it received a major blow after the financial crisis of 2007-08 hit hard the developed economies, bringing the industry to its knees and forcing many buyers to cancel orders.

As a result, borrowers in the segment have been unable to repay the loans.

Promotion Bureau showed. The shipbreaking industry is also not doing well.

Just 45 of the 158 shipbreaking yards in Chattogram are currently operational. Many shipbreaking yards are suffering losses this year as they had to count high costs for the hike in US dollar prices amid the depreciation of the taka.

Emranul Huq, managing director of Dhaka Bank, says

## Time to remove barriers weighing businesses down

REFAYET ULLAH MIRDHA

Post-pandemic, the speed in planning and execution will be the determining factor for businesses to survive amid changing behaviour of consumers and the volatility in the global supply chain.

But Bangladesh does not seem to be well prepared to support businesses looking to thrive in the changing times as cumbersome processes still dominate and entrepreneurs struggle to secure necessary documents from government offices.



## ANALYSIS

Even before the coronavirus pandemic, the country ranked lowly in the now-defunct World Bank's global ranking of the ease of doing business index mainly because of the delay in issuing important documents from government offices.

Although Bangladesh advanced eight notches to 168 out of 190 counties in the Doing Business 2020 report, the last report published by the multilateral lender in 2019 before it was scrapped for data irregularities last year, the challenges ranging from regulatory barriers and weak infrastructure to inadequate energy supply have kept stifling local businesses.

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Local entrepreneurs suffer a lot for delays in the release of goods from ports. According to the Time Release Study 2022 of the NBR, businesses have to wait an average of 11 days and six hours to get cargoes released after their arrival at seaports.

PHOTO: RAJIB RATHAN

## Privacy concerns plague 97pc mobile internet users: study

STAR BUSINESS REPORT

About 97 per cent of mobile internet users in Bangladesh are concerned about privacy and security of their mobile device, according to a study.

The same percentage worry about not having the skills required if one was to stay on top of technological changes.

The study titled "The Digital Lives Decoded" was conducted by Grameenphone's parent company Telenor's Asia division.

The study's findings were revealed at an event at Sheraton Dhaka yesterday, where Jorgen C Rostrup, chairman of Grameenphone and head of Telenor Asia, was present.

The study involved 8,000 mobile internet users across eight markets – Bangladesh, Indonesia, Malaysia, Pakistan, the Philippines, Singapore, Thailand and Vietnam – in South and Southeast Asia marking Telenor's 25th anniversary in Asia.

**The study involved 8,000 mobile internet users across eight markets, including Bangladesh, in South and Southeast Asia**

Bangladeshi respondents are the users most concerned. Younger respondents are more concerned, 68 per cent of whom are Gen Z respondents and 69 per cent millennials.

About 91 per cent of Bangladeshi respondents believe that mobile usage improves quality of life, the study found.

Almost all respondents said they keep their phone with them for a significant period of the day, with one in five never without their phone.

However, around 71 per cent of Bangladeshi respondents believe they strike a good balance on technology use.

In Bangladesh, 91 per cent of users use their phones for at least half of their day, with 20 per cent of respondents always using their phones.

The acceleration in digital adoption of the past two years showed no sign of slowing down, with 73 per cent of Bangladeshis expecting to increase their mobile use in the next 12 months to 24 months, according to the study.

The study shows that people are optimistic about the potential of mobile technology to help them lead a more sustainable life.

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| STOCKS   |           |
|----------|-----------|
| DSEX ▼   | CASPI ▼   |
| 0.19%    | 0.21%     |
| 6,400.70 | 18,854.17 |

| COMMODITIES |              |
|-------------|--------------|
| Gold ▲      | Oil ▼        |
| \$1,653.05  | \$85.13      |
| (per ounce) | (per barrel) |

| ASIAN MARKETS |           |           |          |
|---------------|-----------|-----------|----------|
| MUMBAI        | TOKYO     | SINGAPORE | SHANGHAI |
| ▲ 0.94%       | ▲ 1.42%   | ▲ 0.34%   | ▼ 0.13%  |
| 58,960.60     | 27,156.14 | 3,025.88  | 3,080.96 |

## Prices of most commodities drop in global market

Says World Bank

STAR BUSINESS REPORT

Most commodity prices declined globally in September, according to the World Bank, extending some relief to the import-dependent countries under pressure for higher import bills and runaway inflation.

Energy prices fell 8.1 per cent in September, led by a decrease in natural gas and crude oil prices, the World Bank's Pink Sheet reported on October 10.

The Pink Sheet is a monthly report that monitors commodity price movements.

Natural gas prices were down 15.6 per cent and crude oil dropped 8.1 per cent last month. Non-energy prices fell 1.7 per cent.

Agricultural prices eased 0.8 per cent in September.

Food prices changed little as a group as a 6.9 per

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