

## FINANCING IN 2022

Until September; SOURCE: BB



Banks and NBFIs lent Tk 137,941cr to private sector



6 companies raised Tk 626cr from capital market

### WHY BANKS ARE MAIN CONTRIBUTOR



Easy way of getting loans



Entrepreneurs not eager to get listed with bourses



Bad image of the capital market

### IMPACT OF OVERDEPENDENCY ON BANKS

- Treasury mismatch in banks
- Huge NPLs in the banking sector
- Lack of accountability of borrowers
- Lacklustre performance of stock market



Is the banking sector ready or strong enough to lend long-term funds to the private sector? Not at all. So, the government should push the corporates to raise funds from the capital market for their long-term needs.

**TOUFIC AHMAD CHOUDHURY**  
DG of Bangladesh Academy for Securities Markets



## Suspicious transaction, activity reports up 62pc in FY22

### STAR BUSINESS REPORT

Suspicious transaction and activity reports in fiscal year 2021-22 shot up 62 per cent year-on-year to 8,570, said Bangladesh Financial Intelligence Unit (BFIU) yesterday.

Some 93 per cent of the reports were filed by scheduled banks while 5 per cent or the second highest were by those sending remittance, said BFIU Head Md Masud Biswas while unveiling its annual report at Bangladesh Bank.

The revelation by the anti-money laundering and anti-terrorist financing watchdog comes at a time when Bangladesh has been registering gradual depletion of foreign exchange reserves and falling value of its currency taka for high imports.

The BFIU head said imports, namely cars, were falsely declared to be of a low price in an attempt to evade import duties and taxes and the agency was strengthening its vigilance to prevent the malpractice.

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### PRIVATE SECTOR FINANCING

# Banks meet 99.6pc as firms shy from stock market

AHSAN HABIB

Though Bangladesh has made stellar progress in many economic indicators in the past one decade, entrepreneurs, industrialists and the entire business sector still rely on the banking sector for financing.

Banks also make long-term loans on short-term deposits, creating a mismatch in their treasury management and sending non-performing loans higher.

But the burden of bad assets has turned many banks weak and pushed up the cost of funds for borrowers.

At the end of September, the outstanding private sector credit stood at Tk 13.79 lakh crore in contrast to around Tk 12.10 lakh crore in the same month in 2021, data from the Bangladesh Bank showed.

Banks and non-bank financial institutions contributed more than Tk 1.68 lakh crore to businesses to meet their financing demands during the period, which is 99.63 per cent of the private sector financing.

But during the same period, only six companies raised a combined Tk 626 crore from the stock market, which is considered the cheapest source of capital, according to the Dhaka Stock Exchange.

"But many entrepreneurs avoid listing on the stock market since they do not want to share ownership and come under accountability," said AB Mirza Azizul Islam, a former finance adviser to the caretaker government.

According to Islam, many influential people think that banks' funds can be defaulted easily. "This culture has to be eliminated."

In another unpromising move, the central bank has given many benefits to defaulters.

If such benefits keep pouring in, it will only encourage people to go to banks instead of the stock market, added Islam, also a former chairman of the Bangladesh Securities and Exchange Commission.

As Bangladesh aspires to become a developed nation, it needs to take up large projects, but these projects can't be financed by the banking sector alone, said Toufic Ahmad Choudhury, director general of the Bangladesh Academy for Securities Markets.

Between 2016 and 2040, Bangladesh will need \$608

billion in investment to realise its dream of becoming a developed nation, according to a report of the Global Infrastructure Hub.

"Is the banking sector ready or strong enough to lend the long-term funds? Not at all. So, the government should push the corporates to raise funds from the capital market," said Choudhury.

When a company goes public, it has to be accountable and come under regular monitoring.

If a listed company becomes non-performing, its stock falls. Entrepreneurs also become aware of its performance and banks know about the health of the businesses.

"This natural linkage in the financial system is absent here," said Choudhury.

Another reason for the absence of a diversified source of financing in Bangladesh is conglomerates can secure bank loans easily. Large businesses even borrow from several lenders when they venture out to implement large projects. Thus, they can avoid listing on the stock market, but this is not possible in many countries.

Banks can also come to the security market to meet their funding requirement. But they don't do so. Rather, they are reliant mostly on people's deposits.

"This creates pressure on banks' treasury management," said Choudhury also a former director-general of the Bangladesh Institute of Bank Management.

Meeting long-term financing needs with the short-term deposit has driven up the NPL, he said.

Defaulted loans in the banking sector hit an all-time high of Tk 125,257 crore in June, up 26.3 per cent from a year ago.

Mobilising funds from banks and financial institutions is easy compared to the stock market, said Anis A Khan, a former chairman of the Association of Bankers, Bangladesh.

"While banks can lend within a short time, an entrepreneur sometimes needs to wait more than a year to raise funds from the stock market."

"The depth of the stock market is not up to the mark, so some entrepreneurs prefer banks."

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## Five banks post earnings decline in Jan-Sep

### STAR BUSINESS REPORT

Five banks yesterday reported a year-on-year decline in their earnings in the first nine months of this year.

State-run Rupali Bank suffered the biggest decline followed by IFIC Bank, Brac Bank, Trust Bank, and Standard Bank, as per unaudited earnings disclosures made on the Dhaka Stock Exchange (DSE) website.

Rupali Bank faced a 46 per cent dip in its earnings per share (EPS) to reach Tk 0.20. The IFIC saw a decline of 22 per cent while Brac Bank 5 per cent to reach Tk 2.53. Trust Bank said its EPS dropped 2 per cent to Tk 3.56.

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STOCKS	
DSEX ▼	CASPI ▼
0.42%	0.37%
6,307.33	18,622.81

COMMODITIES	
Gold ▼	Oil ▼
\$1,637.88	\$87.01
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.31%	▲ 1.78%	▲ 1.11%	▼ 0.77%
60,746.59	27,587.46	3,093.11	2,893.48

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