

# star BUSINESS



## Palm oil price cut by Tk 4, soybean Tk 5

STAR BUSINESS REPORT

The retail price of palm oil has been reduced by Tk 4 while soybean oil by Tk 5 a litre in the country.

The new price rate will come into effect from December 18, the commerce ministry said in a circular yesterday.

As per the new rate, one litre of bottled soybean oil will be sold at Tk 187 instead of Tk 192, loose soybean at Tk 167 instead of Tk 172 and palm oil at Tk 117 against Tk 121.

However, the price of a five-litre bottle of soybean oil has been fixed at Tk 906.

The government took the decision after scrutinising the current import prices and stocks of the essential cooking ingredient, according to the circular.

According to data of the state-run Trading Corporation of Bangladesh, loose soybean oil was selling at Tk 175 to Tk 180

READ MORE ON B3

## THE ASSESSMENT

- BB assessed defaulted loan situation between Dec 2020 and Apr 2022
- BB studied the cases of some banks and non-banks
- Amount below Tk 10cr was considered small defaulted loan
- Amount above Tk 10cr was considered large defaulted loan

## KEY FINDINGS



The recovery rate of loan from small defaulted borrowers is higher



Small borrowers' loans were highly protected with collaterals



Situation of defaulted loan with Sonali Bank was alarming

## SUGGESTIONS



Analysts suggest an exit policy for defaulted borrowers



Willful defaulters should be brought to book



## Household survey to end by Dec 31

STAR BUSINESS REPORT

Data collection for the Household Income and Expenditure Survey (HIES)-2022 is going to be complete within December 31 this year, according to Project Director Mohiuddin Ahmed.

Ahmed informed Professor Shamsul Alam, the state minister for planning, in this regard when the latter went to see the data collection activities in Dhaka's Sabujbagh area yesterday.

He also informed that they will be able to publish the results of the survey within next April.

Alam said the current poverty situation in Bangladesh will become clear through the survey, which is necessary to take the right policy measures.

The last HIES was done in 2016 and the current survey, which started in January this year, is being conducted among 14,400 households.

The survey has been conducted on a regular basis since 1973-74.

# Small loan defaulters repay more than large ones

Parliamentary standing committee finds

REFAYET ULLAH MIRDHA and RASHIDUL HASAN

The recovery of loans from small defaulters is higher than those owing large loans, according to the findings of a probe by a parliamentary standing committee.

The parliamentary committee on estimates also found that small defaulters put up with more collateral while securing loans compared to larger borrowers.

The findings highlighted the fact that small borrowers usually have much better repayment records than larger ones.

The parliamentary committee formed a sub-committee on January 3 last year to investigate the financial irregularities in Sonali Bank Ltd, Social Islami Bank Ltd (SIBL), the National Bank of Pakistan, National Finance Ltd, and Premium Leasing & Finance Ltd.

As part of the probe, the Bangladesh Bank studied the default loan situation of the banks and non-banks for the period between December 2020 and April 2022.

During the assessment, the loan amount below Tk 10 crore was considered small and those above Tk 10 crore were considered large defaulted loans. The committee came up with the findings recently.

In the case of Sonali Bank, the probe found, the number of large defaulters was 273 in December 2020 and they were holding Tk 11,532 crore. Their number went up to 308 and the amount surged to Tk 13,047 crore in December 2021.

In April 2022, the number of large

defaulters reached 309 and the amount involved stood at Tk 12,865 crore.

The ratio of defaulters who borrowed more than Tk 10 crore was minimal, at 0.08 per cent. But they accounted for 67 per cent of the classified loans, meaning the defaulted loan was highly concentrated to a handful of defaulters.

Of the bad loans, 33 per cent belonged to small borrowers.

The probe found that the recovery rate of default loans at Sonali Bank was 7.59 per cent in the cases of small borrowers, versus 1 per cent in the case of large borrowers.

The situation of defaulted loans in Sonali Bank is very alarming although collateral and the recovery rates looked to be good apparently, according to the parliamentary standing committee.

"The recovery rate of defaulted loans was less than 1 per cent for Sonali Bank, which is not satisfactory at all," said the BB assessment.

The collateral against the large loans was scanty at 63 per cent and this indicated that due diligence was not followed properly in the disbursement of the funds, according to the probe report.

The rate of collateral against small defaulted loans was 150 per cent.

Md Afzal Karim, managing director of Sonali Bank, said the rate of classified loans has declined to 8 per cent currently from 17 per cent in June this year because of the special drives against the defaulters.

"We are taking every measure to recover loans from the defaulters," he told The

Daily Star.

The bank is also filing cases regularly against the defaulters so that they pay back the loans. But sometimes, legal complexities may delay the recovery, he said.

### SIBL TOO IN A DIFFICULT SITUATION

In the case of SIBL, the ratio of large borrowers among the defaulters was less than 5 per cent but they held 70 per cent of the classified loans. The rest 30 per cent belonged to small defaulters.

At the private commercial lender, 97 per cent of small loans were backed by collateral.

The probe showed that the number of defaulted borrowers came down to some extent during the probe period: their number was 672 in 2020 and 648 in 2021. It was 633 in April this year.

However, the amount of defaulted loans did not fall during the period. Rather, it rose from Tk 1,547 crore to Tk 1,627 crore.

The recovery of defaulted loans increased to 40.80 per cent in 2021 from 36.70 per cent in 2020.

About 97 per cent of collaterals were deposited against the defaulted loans, almost close to the total amount of the credits that went sour.

The number of large defaulted borrowers at SIBL was 31 and 27 in December 2020 and April 2022 respectively. And the amount of large defaulted loans was Tk 1,142 crore in December 2020 and Tk 1,044 crore in April 2022.

"The rate of recovery of bad loans with the

READ MORE ON B3

## Cut expenditure in revised budget Finance division gives guidelines for ministries

REJAUL KARIM BYRON and DWAIPAYAN BARUA

The finance division has strictly asked ministries and divisions not to demand any additional money beyond the amount allocated this year.

It suggested cutting expenditures in the revised budget as per the prime minister's directives on austerity measures.

The finance division yesterday issued guidelines and directives to all ministries and divisions for formulating estimations of revised budgets.

Budget implementation has seemingly progressed at a slow pace so far this fiscal year with total expenditure growing a mere 0.83 per cent in July, the first month of this fiscal year, compared to that last fiscal year.

Expenses under the annual development programme (ADP) stood at Tk 869.68 crore in July this year, which was a negative growth of 47 per cent from that in the same period of the previous fiscal year.

Till July, revenue expenditure saw a 3.45 per cent negative growth and expenses for pay and allowances a 29.28 per cent negative growth while subsidies and transfer expenses saw a growth of only 5.36 per cent.

**Budget implementation has seemingly progressed at a slow pace so far this fiscal year with total expenditure growing a mere 0.83 per cent in July**

The division issued the directives for all the government, semi government, autonomous and statutory bodies as well as state-owned enterprises and financial institutions.

In its directives, the division said if it seems that any money of the development expenditures will remain unused, that amount can in no way be transferred to the revenue budget.

In the beginning of this fiscal year, the government rolled out a cocktail of austerity measures for its own administration.

The instructions, which were passed in three separate notices issued by the finance ministry, came after the prime minister on June 29, urging everyone to practice austerity from their own positions.

In its latest directives, the finance division asked to deduct the money allocated for particular expenses and later prohibited under austerity measures while preparing estimations of the revised budget.

READ MORE ON B3

STOCKS		
	DSEX ▼	CASPI ▼
	0.06%	0.02%
	6,256.82	18,447.21

COMMODITIES		
	Gold ▲	Oil ▼
	\$1,809.73	\$76.73
	(per ounce)	(per barrel)

ASIAN MARKETS				
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.86%	▼ 0.37%	▼ 0.2%	▼ 0.29%	
62,136.28	28,051.70	3,272.11	3,168.25	

## Dhaka, Ctg hold over 80% bank deposits

STAR BUSINESS REPORT

Dhaka and Chattogram divisions account for more than 80 per cent of the total deposits in the banking system thanks to a large flow of savings from state-run enterprises and higher economic activity.

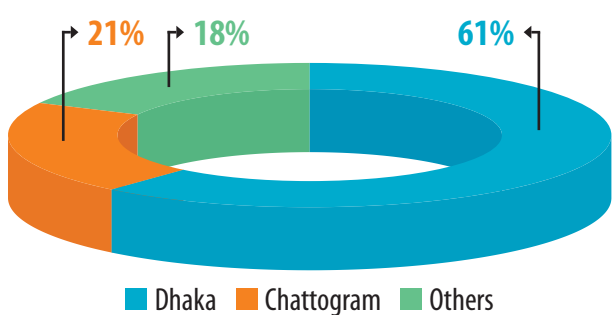
Data from the Bangladesh Bank showed that deposits in the scheduled banks in the Dhaka division totalled Tk 9,67,870 crore as of September, representing 61 per cent of the total deposits of Tk 15,76,367 crore in the banking industry.

The amount of deposits was Tk 3,30,273 crore in the Chattogram division, constituting 21 per cent of the deposit base.

READ MORE ON B3

### Division-wise deposits

Jul-Sep 2022; SOURCE: BB



## MFS transactions rebound in Oct

MAHMUDUL HASAN

Transactions through mobile financial services (MFS) rebounded in October following a few months of decline thanks to a rise in government disbursements, cash-out and utility bill payments.

The volume of transactions increased by Tk 5,567 crore, or 6.35 per cent, to hit Tk 93,013 in October compared to Tk 87,635 crore a month earlier.

"The main reason of the growth in October is the increased amount of government disbursements through MFS," said Muhammad Zahidul Islam, head of communication at Nagad.

Nagad disbursed about Tk 1,000 crore worth of government allocations in October.

MFS transactions had reached Tk 94,293 crore in June, when Eid-ul-Adha was celebrated, according to the latest data from Bangladesh Bank.

However, the all-time high was Tk 107,460 crore in April, which was bolstered by the country's top shopping season of Eid-ul-Fitr.

Industry people mainly attributed the decline in July and August to the usual drop in transactions during the months following a big festival.



On a year-on-year basis, the amount of MFS transactions increased by 21 per cent in October.

The transactions were made in the form of cash-in, cash-out, person-to-person transfers, merchant payments, government-to-person transfers, salary disbursements, talk-time purchases

and utility bill payments.

In October, government-to-person transfers shot up 70-fold to Tk 1,418 crore compared to a month earlier.

The amount of cash-out, where customers withdraw money from their MFS account, increased by around 8 percent month-on-month to Tk 25,665

crore at the same time.

Meanwhile, merchant payments, where customers make purchases through their MFS account, increased by Tk 236 crore month-on-month to Tk 3,359 crore.

Salary disbursements decreased Tk 93 crore to Tk 2,659 crore month-on-month in October while utility bill payments increased by Tk 105 crore to Tk 2,283 crore.

About 18.75 crore users are registered with 13 MFS providers as of October, up by more than 23 lakh from September.

Gender-wise, 10.86 crore males use the service against 7.84 crore females, as per central bank data. There were 15.21 lakh MFS agents across the country as of October.

Although the number of accounts surpassed the 18-crore mark in July, the number of active unique users is far fewer, less than half of the official figures, according to experts.

The MFS providers are Rocket, bKash, MYCash, Islami Bank mCash, Trust Axiata Pay, FSIBL FirstPay SureCash, Upay, OK Wallet, Rupali Bank SureCash, TeleCash, Islamic Wallet, Meghna Bank Tap n' Pay, and Nagad.