



A view of the Mongla port located in the southwestern region of Bangladesh. It handled 1.07 crore tonnes of cargo in July-May of 2021-22. The photo was taken recently.

**RAMADAN  
ESSENTIALS**  
Banks to be  
asked to set  
aside dollars

## STAR BUSINESS REPORT

Amidst a fall in the letters of credit (LCs) for key essential commodities, the commerce ministry yesterday said it would request banks to retain some dollars to facilitate the import to meet Ramadan's usual increase in demand.

Commerce Minister Tipu Munshi shared the decision at a press conference in the ministry after a meeting with businesspeople regarding stocks and supplies of seven basic commodities – soybean and palm oil, sugar, lentil, onion, chickpeas and dates.

The announcement came after importers at the meeting said they had not been able to open all the LCs they had wanted to import key commodities amidst a reluctance of banks for a dollar shortage.

A commerce ministry paper presented at the meeting showed that opening of the LCs for import of raw sugar, chickpeas, dates, soybeans and soybean oil declined in the October-December period of 2022 from that in the same period a year ago.

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## One third of listed banks' asset quality drops

## AHSAN HABIB

One-third of the listed banks in Bangladesh, especially the shariah-based lenders, suffered a drop in profits in the last five years due to the deterioration in their asset quality, higher non-performing loans, and the impact of the coronavirus pandemic.

Of the 34 banks listed on the Dhaka Stock Exchange, 31 published information on the return on asset (ROA), a significant performance indicator. Of them, 10 have almost seen a continuous fall in ROA since 2017.

The ROA indicates how profitable a bank is in relation to its total assets, which include cash, government securities and loans.

Only five banks saw a continuous rise in the indicator. The rest witnessed ups and downs and their ROA remained the same in the last five years.

Of the banks that posted a downward trend in ROA, seven are shariah-compliant: Social Islami Bank Ltd (SIBL), Islami Bank Bangladesh Ltd (IBBL), Al-Arafah Islami Bank (AIBL), Exim Bank, Union Bank, ICB Islamic Bank, and Standard Bank.

Traditional lenders National Bank, One Bank and South-Bangla Agricultural Bank (SBAC)

are also on the list.

Salehuddin Ahmed, a former governor of the Bangladesh Bank, said: "Allowing a huge amount of rescheduling of loans may sometime contribute to the reduction of the return on assets since the return falls."

and 1.4 per cent in 2017.

"The asset quality of SIBL was better in 2022 compared to the previous year," said Zafar Alam, managing director of the bank.

"The classified investments of SIBL dropped last year so 2023 would be better."

amounted to a whopping Tk 134,396 crore, representing 9.36 per cent of the total outstanding loans in the banking sector, Bangladesh Bank data showed.

"The banking sector should work on reducing NPLs and operational costs," Choudhury said.

The ROA of IBBL was 0.55 per cent in 2017 but it plunged to 0.30 per cent in 2021.

AIBL witnessed a fall in ROA from 0.99 per cent five years ago to 0.46 per cent in 2021.

Exim Bank's ROA decreased from 1.06 per cent to 0.42 per cent during the period.

A senior official of Standard Bank said the lender's return on assets was almost unchanged in 2017, 2018 and 2019 before declining in the following two years mainly due to the impact of the pandemic as businesses saw a sharp slowdown.

The bank's ROA was 0.75 per cent, 0.67 per cent, and 0.76 per cent in 2017, 2018 and 2019, respectively. It slipped to 0.36 per cent in 2021, showed the annual report of the bank.

"The asset quality is good and it would be better this year," said the senior official, seeking anonymity.

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"When a bank lends without following due diligence, the asset quality declines and it ultimately erodes the capital of the bank."

"It raises the burden on banks and their lending capacity shrinks. Eventually, the profitability falls and banks become weak."

According to Ahmed, the lack of efficiency in selecting good borrowers is at the heart of the problem.

SIBL's ROA has been declining every year since 2017. Its ROA went down to 0.42 per cent in 2021 from 0.54 per cent in 2018

Alam thinks since Bangladesh's export earnings and remittance receipts are going up, 2023 would be a good year for the banking sector.

"The drop in the return on asset indicates that their profitability deteriorated and asset quality fell," said Toufic Ahmad Choudhury, director-general of the Bangladesh Institute of Bank Management.

It might be for higher NPLs and operational costs, flaws in efficiency, and/or the lower net interest income, he reasoned.

As of September, NPLs

## Mongla port expansion makes headway Funding uncertainty clearing

## JAGARAN CHAKMA

The Mongla Port Authority's plan to undertake a massive development work to expand, modernise and build the capacity of the port has received a major boost as uncertainty over funding is set to disappear.

The government has long been seeking external funds to develop the capacity of the port in the southern region with a view to cutting reliance on the Chattogram port and facilitating the growing international trade of Bangladesh.

The expansion plan has now got a fillip after China and India agree to provide the much-needed financing.

The plan is one of the 27 projects that Dhaka and Beijing agreed to execute with Chinese assistance under an umbrella deal struck during President Xi Jinping's Dhaka visit in 2016.

Since then, the government has been trying to secure funds from China for the project.

Now, China has agreed to bankroll the expansion and modernisation of Mongla port facilities project, said Rear Admiral Mohammad Musa, chairman of the Mongla Port Authority (MPA).

"Beijing has given its approval to finance the project. The Chinese embassy in Dhaka has informed the finance ministry about it."

Bangladesh has sought \$353.52 million from China. The size of the fund may increase or decrease depending on the requirement, according to Musa.

The project is expected to beef up the efficiency of the seaport.

In 2016, the MPA struck a deal with China National Complete Engineering Corporation. But it fell through due to the delay in fund mobilisation.

It signed a memorandum of understanding with China Civil Engineering Construction Company in July 2021 to implement the project.

The Chinese approval came after the MPA appointed Egis India Consulting Engineers Private Limited as the consultant for a capacity-building project involving Tk 6,014 crore. The two sides inked a deal on December 26.

In 2020, the Executive Committee of the National Economic Council approved the capacity-building project.

Of the sum, the government of Bangladesh will provide Tk 1,555 crore and the rest of Tk 4,459 crore will come from India as project assistance under its third line of credit for Dhaka.

The implementation period runs from January 2020 to July 2024. Once the project is implemented, cargo and container handling will be possible through the berthing of more ships.

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STOCKS	
DSEX ▲	CASPI ▲
0.28% 6,202.62	0.24% 18,315.41
<b>COMMODITIES</b>	
Gold ▲ \$1,859.2 (per ounce)	Oil ▼ \$74.84 (per barrel)
<b>ASIAN MARKETS</b>	
Mumbai ▼ 1.04% 60,657.45	Tokyo ▼ 1.45% 25,716.86
Singapore ▼ 0.1% 3,242.46	Shanghai ▲ 0.22% 3,123.52



With the mercury dropping sharply over the last couple of days, Zahir Hawkers' Market in the port city of Chattogram has turned into a big draw for low and middle-income people looking for affordable winter clothing. Blankets costing as low as Tk 200 can be found here. Moderate to severe cold conditions are likely to continue due to lower differences between day and night temperatures, according to Bangladesh Meteorological Department. The photo was taken on Monday.

PHOTO: RAJIB RAIHAN

## Savings tool sales fall for new conditions

REJAU KARIM BYRON and  
MD ASADUZ ZAMAN

A retired secondary school teacher in Satkhira not entitled to pensions had planned to use a portion of other service benefits to purchase savings certificates to meet some of his family expenses with the interest income.

His wife Khadiza Khatun went to a local bank to buy Tk 12 lakh-worth savings certificates but was denied for being unable to furnish proof of submission of her income tax return.

The 50-year-old then had to file a return at the local tax office solely to make the purchase.

The condition was imposed from this fiscal year by the National Board of Revenue (NBR) for purchases of savings instruments of over Tk 5 lakh.

This, along with some other measures, discouraged many from investing in the finance ministry's savings tools which offer over 11 per cent in interest and benefit a large segment of society, especially pensioners and women.

Take the case of Abdur Rahim who retired from a private company in Dhaka.

The 60-year-old wanted to purchase savings certificates worth around Tk 85 lakh received from benefits, a deposit pension

scheme and insurance maturity to bear family expenses with the interest earned.

However, this has not been possible for the government imposing a ceiling of Tk 50 lakh for the total amount of money a person can invest in savings certificates.

The overall scenario has been reflected in sales of savings certificates dipping 21 per cent year-on-year to Tk 34,934 crore in the July-November period of fiscal year

**A senior official of the department said the new rule requiring submitting proof of income tax return submission might have discouraged many from buying the savings certificates**

2022-23, according to the Department of National Savings.

A senior official of the department said the new rule requiring submitting proof of income tax return submission might have discouraged many from buying the savings certificates.

Besides, sales of savings instruments from the post offices have dropped as the postal department does not have enough manpower in many places to process online sales, he said.

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