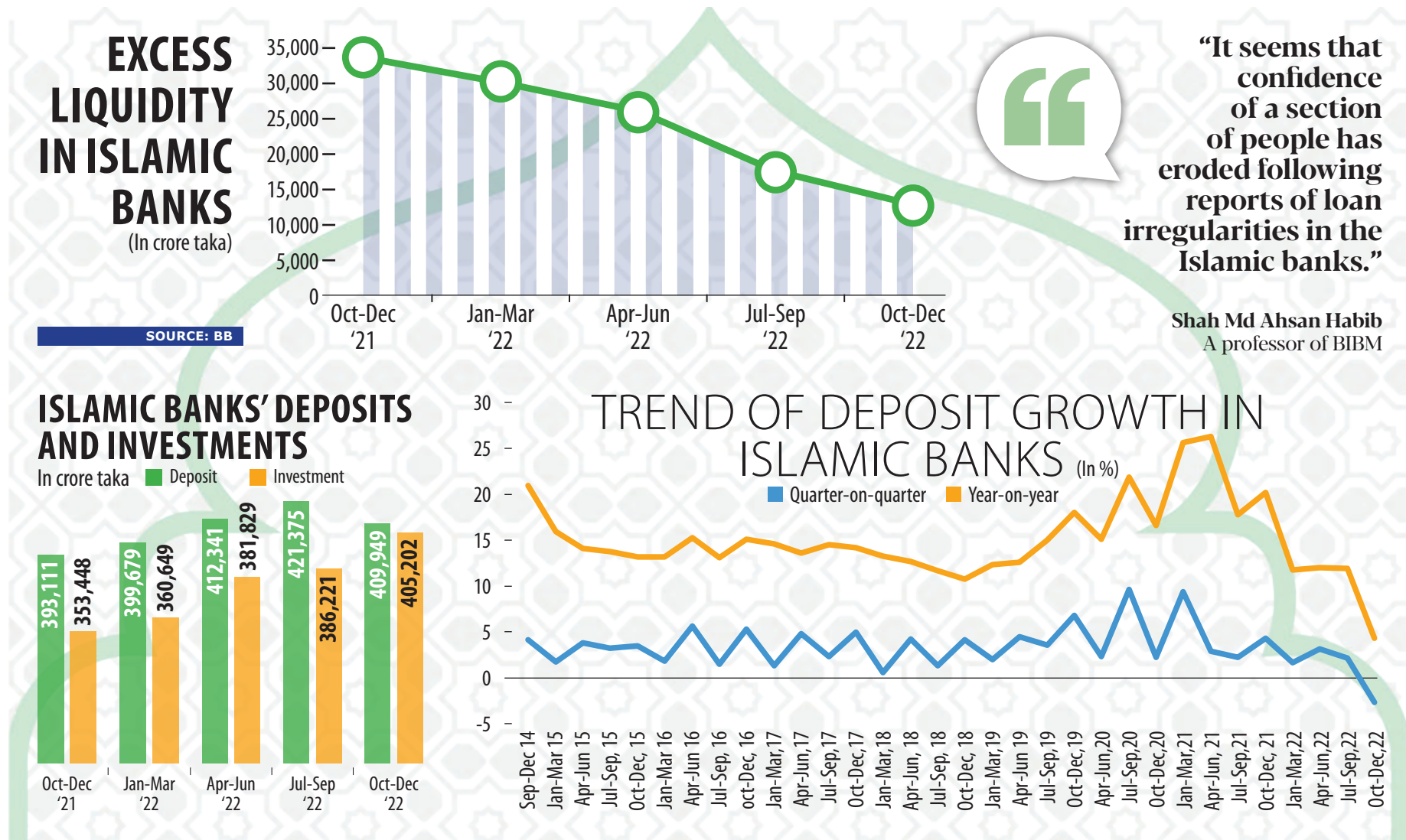
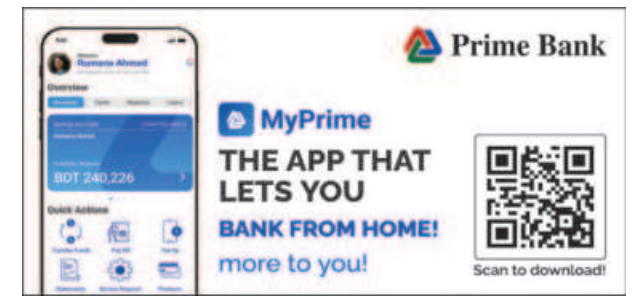


Star BUSINESS



Political campaigns needed to reduce NPLs

Economists, entrepreneurs say

STAR BUSINESS REPORT

The presence of a huge amount of non-performing loans (NPLs) in the banking sector raises funding costs for entrepreneurs so Bangladesh Bank's decision to cap the lending interest rate was a wrong one, says economists and entrepreneurs.

They called for launching political campaigns to reduce the NPLs and ensure proper punishment for wilful defaulters so that none dared to embezzle banks' funds.

Bangladesh Bank set the cap on April 1 of 2020 in a bid to reduce funding costs of entrepreneurs, saying the highest interest on deposits would be 6 per cent while for lending 9 per cent.

Default loans in Bangladesh's banking sector jumped 17 per cent year-on-year to Tk 120,656 crore last year owing to a lack of corporate governance and the ongoing business slowdown.

As a result, the ratio of bad loans rose to 8.16 per cent of the outstanding loans in December compared to 7.93 per cent in the same month in 2021, showed data from the Bangladesh Bank.

“Without political will and exemplary punishment, the NPLs can not be reduced,” said Syed Mahbubur Rahman, former chairman of the Association of Bankers, Bangladesh (ABB).

“Courts also need to be more active to solve the disputes though they have manpower issues,” he said.

His comments came at a seminar titled “Bi-annual Economic State & Future Outlook of Bangladesh Economy: Private Sector Perspective” organised by the Dhaka Chamber of Commerce and Industry (DCCI) on its premises yesterday.

READ MORE ON B3

Depositors withdraw Tk 11,426cr from Islamic banks in 3 months

BB data shows as loan scams hurt confidence level

SOHEL PARVEZ

Deposit flow to Islamic banks in Bangladesh registered a fall in the fourth quarter of 2022, the first such decline in eight years, in a sign of erosion of confidence among savers owing to loan irregularities.

Data released yesterday by the Bangladesh Bank showed that total deposits in Islamic banks declined to Tk 409,949 crore at the end of December 2022, down 2.71 per cent from Tk 421,375 crore in September.

This means Islamic banks lost Tk 11,426 crore in deposits in the three months, according to the October-December quarterly report on Islamic banking of the central bank.

Full-fledged Islamic banks, now numbered 10, were the biggest sufferers as they lost Tk 11,842 crore in the fourth quarter from the third quarter. They collectively held deposits of Tk 379,951 crore in December, down 3 per cent from Tk 391,792 crore in September.

Conventional banks with Islamic banking windows recorded a marginal decline in savings in the fourth quarter, while banks with Islamic

banking windows registered a 2.94 per cent increase in the flow of savings.

Islamic banks, however, recorded a 4.28 per cent year-on-year deposit growth in the fourth quarter. Yet, the growth was the lowest since 2014, the year when the central bank started to release the quarterly report on Islamic banking.

The data came at a time when a number of Islamic banks, including Islami Bank Bangladesh Ltd (IBBL), the largest private bank in terms of deposits and investments, suffer from liquidity dearth resulting from withdrawals by many depositors after reports on alleged loan scams surfaced.

The liquidity crunch prompted the central bank in December to pump funds at 8.75 per cent into a number of Islamic banks, including IBBL, to enable them to meet emergency financing needs and comply with regulatory requirements.

As of December 29, IBBL took Tk 8,000 crore under BB's special arrangement. Four other Shariah-based banks – First Security Islami Bank, Social Islami Bank Ltd, Union Bank and Global Islami Bank – took Tk

6,790 crore.

Analysts say the fall in deposits at the Islamic banks is an indication of the drop of customers' confidence owing to the allegation of loan scams, particularly at IBBL.

The central bank is investigating allegations of

banks dropped to 25.81 per cent in the deposit segment in December, down from 28.43 per cent three months ago.

As such, the overall availability of excess liquidity at the Shariah-based banks reduced to Tk 12,871 crore at the end of 2022, from Tk 17,525 crore at the end of the

displaced by conventional banks, he said.

“It seems that the confidence of a section of people has eroded following reports on loan irregularities.”

In a report on Wednesday, global ratings agency Moody's Investors Service said Islamic banks in Bangladesh are more vulnerable to the tightening of liquidity than conventional banks because they have smaller liquidity buffers.

One reason that Islamic banks have weaker liquidity cushions is that the central bank has more relaxed liquidity requirements for them to support the growth of the sector.

Another reason is that Islamic banks are prohibited from holding conventional interest-bearing government bonds, and there is a limited amount of liquid shariah compliant instruments.

“The profitability of Islamic banks is already weaker than that of conventional banks because they are more reliant on term deposits, which results in narrower spreads between financing yields and deposit costs than the system-wide level,” said the agency.

READ MORE ON B3



A visitor is seen trying out a virtual reality headset at the BASIS SoftExpo 2023, which began at the Bangabandhu Bangladesh-China Friendship Exhibition Center in Dhaka's Purbachal yesterday. More than 200 stalls have been installed at the fair, where participants are showcasing products and services of the latest technologies.

PHOTO: COLLECTED

Collaborative efforts key to higher IT export

Speakers say as BASIS SoftExpo begins

STAR BUSINESS REPORT

The ICT industry, academia and government should collaborate on research and development while also promoting the sector and building skilled human resources to fuel IT service exports, according to experts.

Russell T Ahmed, president of the Bangladesh Association of Software and Information Services (BASIS), yesterday outlined this formula during the inauguration of the four-day BASIS SoftExpo 2023.

While Bangladesh has made impressive development in the ICT sector in the last few years, the country could still do a lot better. “So, we need to establish a research mechanism to identify our strengths, weaknesses, opportunities, and threats,” he said.

Ahmed then said it is possible to raise IT exports from Bangladesh to \$5 billion by 2025 and \$20 billion by 2031.

“But to do so, we have to remember that it is a business in which we have to compete with India, Vietnam, the Philippines, Poland, Estonia and Ukraine,” he added.

Ahmed went on to say that the second thing to do would be aggressive industry

promotion.

Although the government trusts in the capability of local firms, confidence in the local market has not grown to the required level.

“Besides, we need to deepen our strength in the international market properly so that global players can consider Bangladesh as an ICT destination,” he said.



The third most important thing that needs to be done is building skilled human resources in the ICT sector.

“We are facing an intense shortage of human resources, which is the only raw material for the ICT industry. We fail to hire three people after interviewing 300 candidates,” Ahmed said.

READ MORE ON B3