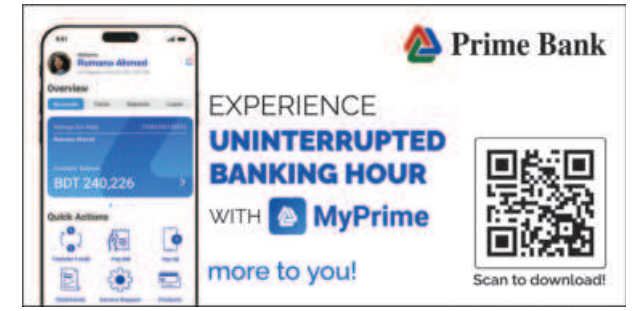


# Star BUSINESS



Tourist boats anchor on both sides of a road that connects Sirajganj's Ullapara upazila with Odhunia village located in Chalan beel. The spot attracts hundreds of visitors looking to enjoy trips in the waters of the country's single largest waterbody. Alongside, coffee shops have been set up to serve local tourists. The photo was taken on Friday.

PHOTO: MOSTAFA SHABU

## NEW TARIFF POLICY

### Businesses for deferred implementation

REFAYET ULLAH MIRDHA

Businesses have sought more time for the rationalisation of Bangladesh's maiden tariff policy, reasoning that many industries still need more state protection to be ready to compete with their international peers.

The commerce ministry published a gazette on the National Tariff Policy on August 10, to stay in tune with Bangladesh's United Nations country status graduation from a least developed to a developing country in 2026.

It also seeks to improve the competitiveness of local companies in international markets and counter loss of preferential trade benefits after the graduation.

Local trade and economic activities are suffering the severe fallout of the pandemic and Russia-Ukraine war, said business leaders.

Businesses are yet to regain their financial health, especially the cottage, micro, small and medium enterprises, which are facing more challenges as they do not have the strong financial capacity to cope up with the challenging times, they said.

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## BANKING SECTOR'S ILLS

# Now what as BB hits the nail on the head?

MD MEHEDI HASAN

For the first time, the central bank has published full-fledged data on stressed assets of banks, laying bare the sector's deep ills that have been a subject in the public discourse for long as irregularities and scams often make headlines.

In the past, the Bangladesh Bank would publish partial figures on distressed assets and the latest data came as part of conditions attached to the International Monetary Fund's \$4.7 billion loan.

The distressed asset of the banking industry stood at Tk 3,77,922 crore at the end of last year, according to BB's Financial Stability Report 2022, which was released on Sunday.

The distressed assets were calculated considering the total non-performing loans (NPLs), outstanding rescheduled and written-off loans.

In 2022, NPLs in the sector stood at Tk 120,649 crore, the

outstanding rescheduled loans were Tk 212,780 crore and the outstanding written-off loans amounted to Tk 44,493 crore.

Until 2021, the BB disclosed the rescheduled loans and written-off loans in different

practice in the global banking sector and all the rescheduled loans are not classified. Some 2 percent to 3 percent of such loans are classified, so it is not concerning, he said.

Bankers disagreed, saying

form of NPLs, rescheduled loans or write-off loans are not good for banks," said Anis A Khan, a former chairman of the Association of Bankers, Bangladesh, a platform of chief executives of banks.

"Stressed assets widen risks at banks and adversely affect their capital adequacy ratio and provisioning. When stressed assets go up, their financial health worsens."

The former managing director of Mutual Trust Bank says since the actual scenario of the banking sector has been recognised thanks to the IMF, the industry is now on the right track.

The BB report said that banks rescheduled a record Tk 63,720 crore last year.

A senior official of the central bank, seeking anonymity, says not only rescheduled and write-off loans, almost all the indicators of the banking sector reflect the deep crisis confronting the industry.

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forms and partially in its Financial Stability Report. This time, the regulator has portrayed the total scenario of rescheduled loans and written-off loans, said a senior official of the BB.

The central banker said loan rescheduling is a standard

the rescheduled loans are not a good thing for banks and they are a burden.

They, however, welcomed the report since it has almost recognised the actual problem of the banking sector.

"The distressed assets or loans whether they are in the

## Microfinance sector's NPL nearly doubles

AHSAN HABIB

Microfinance institutions (MFIs) in Bangladesh witnessed an 85 percent year-on-year jump in non-performing loans in 2021-22 as borrowers struggled to pay back owing to the impacts of the coronavirus pandemic and the economic slowdown, official figures showed.

Thus, the volume of the NPL rose to Tk 8,370 crore in FY22 from Tk 4,528 crore in 2020-2021, according to the Bangladesh Bank's Financial Stability Report 2022.

As a result, the NPL ratio soared to 6.74 percent in FY22 from the previous fiscal year's 4.77 percent. The figure nearly trebled from FY18's 2.72 percent.

Mustafa K Mujeri, a noted economist, blamed the dragging fallout of Covid-19 and the economic crisis stemming from the Russia-Ukraine war for the higher NPL.

**The volume of the NPL rose to Tk 8,370 crore in FY22 from Tk 4,528 crore in 2020-2021, according to the Bangladesh Bank's Financial Stability Report 2022**

He said the war-induced crisis came at a time when small-scale borrowers were on track to make a comeback from the impact of the pandemic.

"But owing to the crisis, borrowers could not complete their projects on time or incurred losses. This forced them to delay repayments."

Mujeri, currently the executive director of the Institute for Inclusive Finance and Development, a think-tank, says small entrepreneurs are not willful defaulters.

"They are not similar to the borrowers we see in the banking sector where many clients default on their payments intentionally."

He said small borrowers do not delay repayments since they are repeat borrowers and MFIs maintain a strong supervision throughout the year.

"Economic circumstances have made them defaulters. They will start repaying once the economic situation improves."

In Bangladesh, there were 739 licenced MFIs in FY22, catering financial services to 3.82 crore individuals. Of them, around 90 percent were women.

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STOCKS	
DSEX ▼	CASPI ▼
0.48%	0.35%
6,257.14	18,503.35

COMMODITIES	
Gold ▼	Oil ▼
\$1,903.63	\$81.89
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.12%	▲ 0.56%	▼ 0.46%	▼ 0.07%
65,401.92	32,238.89	3,232.74	3,176.18

## Local banks' overseas branches post higher profit

STAR BUSINESS REPORT

The net profit of seven overseas branches run by three Bangladeshi banks climbed more than 23 percent year-on-year to \$5.30 million last year, central bank data showed.

Two state-run commercial banks – Sonali and Janata – and private commercial lender AB Bank perform their international banking services through seven full-fledged branches in the UAE and India.

According to the Bangladesh Bank Stability Report 2022, the performance of the branches was mostly fluctuating.

Customer deposit increased 24.73 percent year-on-year to \$343.64 million last year. It was \$275.50 million in 2021.

Loans and advances rose \$3.90 million to \$98.22 million.

In 2022, the branches recorded a notable increase in total assets, which stood at \$463.82 million.

A 55.12 percent increase was observed in cash and balance kept with the central bank as it rose to \$291.96 million.

However, the balance with other banks and financial institutions declined 52.37 percent to \$32.07 million last year.

Property, equipment and other assets surged 113.94 percent to \$41.56 million, the BB said.

Overall, the total asset of the branches in 2022 was 25.60 percent higher than a year earlier.

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## Digital nano loans getting popular

MAHMUDUL HASAN

Digital nano loans are displaying promising prospects thanks to almost instant disbursement of loans.

About 1.6 lakh customers have already availed the loans from lenders and the default rate is less than 1 percent, according to the banks.

The lenders are disbursing loans amounting to Tk 500 to Tk 50,000 to individual customers on up to 9 percent interest.

Since December 2021 when bKash pioneered digital nano loan in collaboration with City Bank, three more banks have launched such products and all of them opined that they are optimistic about the future of such lending.

The product has become a huge hit among the customers, including small and medium enterprises, who traditionally rely on instant loans that come with high interest rates.

Md Hafizul Islam, owner of a cloth store in the capital's Islampur, was looking to borrow Tk 50,000 for an urgent need.

He applied for a digital loan through Dhaka Bank's "eRin" app.

"I haven't shown any reference or

### NANO LOANS AT A GLANCE

- Tk 500 to 50,000 is disbursed at about 9% interest
- No collateral needed for obtaining loan
- Customers get loans in moments to 2 hours
- Bad loans so far stood at less than 1%
- BB backs it with refinance scheme of Tk 500cr

### FIRST TO LAUNCH

- bKash and City Bank together introduced nano loans in Dec, 2021
- So far Tk 314cr disbursed to 1.5 lakh unique bKash users

PRIME BANK	DHAKA BANK
About 2,100 customers availed its loan	It disbursed Tk 10cr to over 3,000 customers

deposit collateral, but within two hours the money was deposited to my account. I will take the loan once again for my business."



Rajib Ahmed, a private job holder, was one of the first customers to get a digital nano loan.

He availed the loan through bKash in

December of 2021 just a week after its introduction in Bangladesh.

In a Facebook post that time, he wrote: "I took a loan of Tk 3,000 from bKash and after 10 days I paid Tk 3,007.5 in total where the interest rate was 9 percent."

"This loan initiative of bKash and City Bank is going to bring a big revolution in Bangladesh," he wrote.

Such a loan was usually disbursed based on the credit risk management policy of the lenders.

According to Ali Ahmmad, chief commercial officer of bKash, said their customers have availed over Tk 314 crore in digital nano loans so far and a majority of them have already repaid the loans.

So far, around 150,000 unique bKash users obtained the nano loan.

After a successful pilot, Prime Bank commercially launched its digital nano loan product, PrimeAgrim, in October of 2022. So far, 2,100 customers have taken the loan where the repayment rate stands at over 99 percent.

"This shows the scale of demand for digital nano loans that persists in our country, and we strongly believe that with a proper framework and further

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