

NBFIs with lower bad loans

AHSAN HABIB

Although most non-bank financial institutions (NBFIs) in Bangladesh are struggling with a high rate of non-performing loans (NPLs), some of them are bucking the trend by maintaining a lower ratio.

While the average NPL ratio in the overall sector rose to 25 percent as of March this year, classified loans in 11 of the 35 NBFIs in the country remain below 10 percent of their outstanding loans.

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NBFIs with NPL ratio below 10% (As of March)

Company NPL ratio Alliance Finance 0.2 0.88 Agrani SME 3.1 United 4.3 IDLC Finance 4.46 IPDC Finance 4.73 Sabinco 6.3 National Housing 6.9 **BD** Finance 7.3 8.3 LankaBangla

(Strategic Finance was

excluded from the list as

portfolio)

it's a new NBFI and has low

IN TERMS OF LENDING

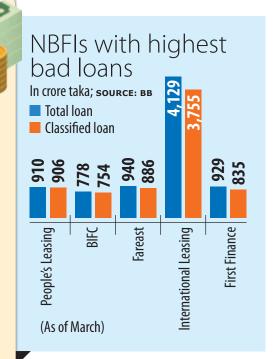
TOP NBFIs

(In crore taka) source: BB



Why NBFIs are struggling

- >> Huge irregularities in lending
- Lack of good governance Tarnished image due to scams
- Confidence crisis >> Low income from interest
- >> Dull stock market
- Liquidity pressure in banking sector





Fakhre Alam Ibne Tabib

GM cotton cultivation kicks off

STAR BUSINESS REPORT

Bangladesh has started cultivation of genetically modified (GM) cotton for the first time this year to boost yields and cut import dependence of the raw materials of varn, a top official of the Cotton Development Board (CDB) said yesterday.

The development comes agriculture the ministry released two varieties of GM cotton for domestic cultivation early last week.

Sowing has begun after the release of the varieties based on an approval from the National Committee on Biosafety (NCB), Md Fakhre Alam İbne Tabib, CDB executive director, told The Daily Star in a phone interview.

The GM cotton has genetic traits taken from a soil-dwelling bacterium Bacillus thuringiensis (Bt) that effectively fights bollworm, a caterpillar responsible for damaging cotton yields.

READ MORE ON B3

16 non-banks weighed down by high NPLs

AHSAN HABIB

Nearly half of non-bank financial institutions (NBFIs) saw a third of their loans turn into nonperforming ones at the end of March 2023, which gives an indication of the tough times the sector was going through mainly due to massive irregularities in 8 to 10 companies.

Intense competition with banks amidst liquidity pressure, image being tarnished and borrowers finding it tougher to run businesses are mainly to blame for the NBFI sector's struggles.



the country. For 16, the nonperforming loan (NPL) ratio is over 30 percent, according to 2023. Bangladesh Bank data.

There are 35 NBFIs in that six out of the 16 had around 90 percent of their loans turned classified at the end of March

six are the People's The Even more alarming is the fact Leasing and Financial Services

Limited, Bangladesh Industrial Finance Company Limited, Fareast Finance & Investment Limited, International Leasing and Financial Services Limited, First Finance Limited and FAS Finance & Investment Limited.

The NBFIs lack governance, so their NPL ratio is rising, said Anis A Khan, a former chairman of the Association of Bankers, Bangladesh Limited, a platform of the CEOs of lenders.

Most of the members of the board of directors and management team have no proper knowledge on credit

READ MORE ON B3

NEW GSP OF UK Bangladesh's RMG export prospects brighten

REFAYET ULLAH MIRDHA

Bangladesh's garment export to the United Kingdom (UK) is expected to rise significantly as the British government will continue to offer duty-free benefits to developing nations even after they graduate from the least developed country

As per the United Nations Committee for Development Policy, Bangladesh is scheduled to make the United Nations status graduation to a developing nation from an LDC in November

> The UK has introduced its new Generalised System of Preferences (GSP), namely **Developing Countries Trading Scheme, under which** developing nations will enjoy duty-free benefits to its market.

This will also lead to the country losing its preferential trade benefits.

Only the European Union (EU) will continue offering the LDC trade benefits to Bangladesh for a grace period of three more years, up to 2029.

However, the UK has introduced its new Generalised System of Preferences (GSP), namely Developing Countries Trading Scheme (DCTS), under which developing nations will also enjoy duty-free benefits to the UK markets.

The DCTS replaces the EU GSP scheme, under which Bangladesh used to avail duty-free access to READ MORE ON B2

Digital banks should aim to speed up financial inclusion

Experts say at fintech summit

STAR BUSINESS REPORT

The key objective of digital banks to diverse customers' needs within should be to expand financial inclusion a unified interface, from financial in the country rather than registering profit, according to industry experts.

"I do not think making profit should necessarily be a priority as a core objective of digital banks is to drive financial inclusion," said Benjamin Quinlan, CEO and managing partner of Quinlan & Associates.

Quinlan also said a key trend in digital banks is the development of ecosystems, where the banks partner with various service providers to create holistic platforms.

"They [digital banks] need to be extremely smart about making partnerships and leveraging their networks and customers. If they want to do it organically, it is going to cost a lot of money," he added.

Quinlan was speaking at the 4th Bangladesh Fintech Summit at the

Radisson hotel in Dhaka vesterday.

These ecosystems aim to cater services to related offerings," he

And while Bangladesh has a promising landscape for digital banks, it requires product planning to avoid the pitfalls encountered by some early entrants in the APAC region.

"So, a thoughtful approach is essential to tap into the country's growth potential and ensure long-term success," Quinlan added.

He also said profitability for digital banks in developing markets across the world usually comes after 9 to 10 years of operation.

Kamal Quadir, CEO bKash, Bangladesh has witnessed considerable growth in digital financial inclusion and digital service usage over the years. READ MORE ON B3

WHAT EXPERTS SAY ON DIGITAL BANKS...

- Main objective should be financial inclusion
- Partnership will be the key to success of a digital bank
- Digital banking landscape is promising in Bangladesh
- Digital adoption rate is good here



WARNING

Digital services may bring about increased number of scams



1	COMMODITIES AS OF FRIDAY		
OIL A	Gold 🔻	Oil 📥	
	\$1,914.89 (per ounce)	\$80.02 (per barrel)	

	ASIAN MARKETS			FRIDAY CLOSINGS
	MUMBAI	токуо	SINGAPORE	SHANGHAI
	0.56% 64,886.51	2.05% 31,624.28	0.29% 3,189.88	0.59% 3,064.07





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NOTIFICATION

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is now

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BUSINESS

Brac Bank, Gram Unnayan sign deal

STAR BUSINESS DESK

Brac Bank recently signed a strategic partnership with a non-governmental organisation (NGO) Gram Unnayan Karma to support farmers living in remote char areas by enabling them to adopt highvalue crops and develop markets for their agricultural produce.

Md Sabbir Hossain, deputy managing director and chief operating officer of the bank, and Khondaker Alamgir Hossain, executive director of the NGO, signed the deal at the bank's head office in Dhaka, said a press release.

Through this agreement, char-based farmers in Bogura can increase their income by expanding the cultivation of cash crops such as maize, jute, mustard, and green chili, utilising machinery.

"By empowering these farmers with modern machinery and advanced agricultural methods, we aim to develop sustainable markets and positively impact their livelihoods," said Sabbir.



Md Sabbir Hossain, deputy managing director of Brac Bank, and Khondaker Alamgir Hossain, executive director of Gram Unnayan Karma, exchange signed documents of an agreement at the bank's head office in Dhaka recently. PHOTO: BRAC BANK



Kutubuddin Ahmed, vice-chairman of Envoy Textiles, attends the company's 27th annual general meeting, virtually held on Thursday. Abdus Salam Murshedy, Rashida Ahmed, Sharmin Salam and Moyeenul Islam Chowdhury, directors of the company, Muhammad Shafigur Rahman and Fakhruddin Ahmed, independent directors, Tanvir Ahmed, managing director, Shehrin Salam Oishee, deputy managing director, and Saiful Islam Chowdhury, company secretary, were present. PHOTO: ENVOY TEXTILES



Heru Hartanto Subolo, Indonesian ambassador to Bangladesh, poses for photographs with Syed M Tanvir, managing director of Pacific Jeans, while visiting Universal Jeans. a concern of Pacific Jeans Group, in Chattogram Export Processing Zone (CEPZ) last week. Md Abdus Sobhan, executive director of CEPZ, and Luthmela Farid, head of design and development of the casual wear manufacturing company, along with other high officials of the company and CEPZ authority were present. PHOTO: PACIFIC JEANS

Dollar holds steady

REUTERS, New York

The US dollar held steady on Friday, on pace to finish the week strong, after Federal Reserve Chair Jerome Powell said the central bank may need to raise interest rates further to ensure inflation is contained but promised to move "carefully" at upcoming meetings.

Powell, in a speech at an economic summit in Jackson Hole, Wyoming, said policymakers would "proceed carefully as we decide whether to tighten further," but also made clear that the central bank has not yet concluded that its benchmark interest rate is high enough to be sure that inflation returns to the 2 percent target.

The US dollar index - which measures the currency against six major counterparts - was about flat at \$104.06 after rising to 104.44, its highest since June 1.

The index, up 0.6 percent for the week, was on course for its sixth straight week of gains, aided by signs of resilience in the US economy that has bolstered the case for rates staying higher for longer.

"On balance, this is a modestly less hawkish speech than markets had feared," said Karl Schamotta, chief market strategist at Corpay in

"Powell's words lacked the drama associated with previous speeches from (Former Fed Chair Ben) Bernanke and (former European Central Bank President Mario) Draghi, and even fell short of the directness found in his own appearances, but we would argue this is a good thing conditions remain too uncertain for black-andwhite messaging, and markets should welcome a more gradualist and incremental approach at this point in the tightening cycle," Schamotta said.

Interest rate futures tied to the Fed's policy rate on Friday priced in a more than even chance of tightening at either the November or December

"We remain comfortable with our call for one more 25 bp hike in November and 75 bp of cuts next year, starting in June and proceeding at a quarterly cadence," BofA Global Research strategists said in a note.

Both the euro and sterling have been hit this week by weak business activity data that has prompted investors to scale back bets on further rate hikes in the euro area and Britain.

UK energy bills to fall again

AFP, London

The price cap on energy bills for most British households is to fall again, regulator Ofgem announced on Friday, offering mild relief amid the ongoing cost-of-living crisis.

Bills will decline from October thanks to a further fall in wholesale energy prices, which had soared in the wake of the post-Covid recovery and the war in Ukraine. The cap will fall to £1,923 (\$2,419, 2,240 euros) per year from £2,074 for an average household consuming electricity and gas, Ofgem said.

At the height of last winter, it had reached £4,279. 'The change will bring the average dual-fuel energy bill below £2,000 a year for the first time since April 2022, saving households an average of £151 on the previous quarter," Ofgem said in a statement.

German business morale declines

AFP, Frankfurt

German business sentiment fell managers has darkened further," for the fourth month in a row in August, a key survey showed Friday, deepening the sense of gloom in Europe's biggest economy.

The Ifo institute's closely watched confidence barometer, based on a survey of 9,000 companies, fell to 85.7 points from 87.4 the previous month. Analysts surveyed by financial data company FactSet had expected a

better reading, of 86.8 points. The poor reading came as final official data confirmed the economy stagnated in the second quarter, including still-high inflation.

"Sentiment among German said Ifo president Clemens Fuest in a statement. "The German economy is not out of the woods yet."

In the key manufacturing sector, expectations remained "starkly pessimistic", with companies increasingly complaining of a decline in new orders, Ifo said.

The business climate also deteriorated in the service sector, trade and construction, it said.

Elmar Voelker from LBBW bank said the reading highlighted "growing as the country battles challenges surrounding the German economy, and manufacturers hard.

adding: "The already gloomy expectations have become even gloomier.'

The German economy was plunged into crisis last year when Russia invaded Ukraine and slashed key gas exports to Europe, sending food and energy costs soaring.

It fell into recession around the turn of the year after two consecutive quarters of contraction, the technical definition of a downturn.

A series of aggressive eurozone interest rate hikes to tame high inflation are also weighing on the economy, while weakness in key negative sentiment" overseas markets has hit exporters

PRICES OF KEY ESSENTIALS IN DHAKA CITY % CHANGES PRICE (AUG 26 FROM A FROM A 2023) MONTH AGO Fine rice (kg) Tk 60-Tk 72 -2.22 👃 -8.97 🕹 -2 🔱 Tk 48-Tk 50 -13.27 🔱 Coarse rice (kg) Loose flour (kg) Tk 48-Tk 50 -3.92 🖶 -6.67 🖶 Lentil (kg) Tk 95-Tk 100 2.63 -9.3 👃 Soybean (litre) Tk 155-Tk 160 -3.08 🕹 -9.48 👆 Potato (kg) Tk 36-Tk 45 6.58 50 🕇 32 Tk 80-Tk 85 Onion (kg) 73.68 Egg (4 pcs) Tk 50-Tk 53 5.1 25.61



Inspector General of Police Chowdhury Abdullah Al-Mamun, chairman of Community Bank Bangladesh, presides over the bank's 43rd board meeting at the police headquarters in Dhaka last week. Among others, Md Kamrul Ahsan, additional inspector general (admin), Bangladesh Police, M Khurshid Hossain, director general of Rapid Action Battalion, Md Monirul Islam, additional IG (special branch) of Bangladesh Police, SM Ruhul Amin, additional inspector general (anti-terrorism unit), Md Mazharul Islam, additional inspector general (L&AA), Md AtiquI Islam, additional inspector general (crime & operations), and Masihul Huq Chowdhury, managing director of the bank, were present. PHOTO: COMMUNITY BANK BANGLADESH



Mohammad Ashiqur Rahman, director of the SME and special programmes department at Bangladesh Bank, and Tarique Afzal, managing director of AB Bank, exchange signed documents of an agreement on loan services for the cottage, micro, small and medium entrepreneurs under the pre-finance scheme of Tk 25,000 crore at the central bank's headquarters in Motijheel, Dhaka recently.

Bangladesh's RMG export prospects

FROM PAGE B1

the UK, as a part of Brexit, for which the British government has been developing new trade policies.

In the post-Brexit period, Bangladesh's apparel has been staging a strong performance in the UK because of its price competitiveness.

instance, Bangladesh exported \$ 5.02 billion worth of clothing to the UK in the last fiscal year of 2022-23, which was \$ 4.50 billion in FY2021-22, according to the Export Promotion Bureau (EPB).

And during the January-July period of 2023, it amounted to \$3.11 billion, up from \$2.72 billion in the

same period of the previous year. largest export destination for Bangladesh after the US and Hassan in a WhatsApp message.

Bangladesh is the second largest garment exporter worldwide,

global market.

Every year the share of the country has been increasing, with top exporter China losing its market share for a shortage of skilled workforce and growing cost of production.

The UK's new DCTS came into effect recently, with the British government implementing the new policy after consultations with stakeholders, said Md Shahidullah Azim, vice-president of the Bangladesh Garment Manufacturers

and Exporters Association (BGMEA). However, under the European Union's draft GSP proposal for 2024-34, Bangladesh's apparel products Currently the UK is the third may face protectionist measures, said BGMEA President Faruque

> But the UK's DCTS does not include such provisions, he said. Currently, the BGMEA and the

accounting for 7.9 percent of the Bangladesh government are trying to lift the protectionist measures through consultations with the European Commission.

Accordingly, the government has already proposed that the EU extend the grace period for the status graduation up to 2032, citing the severe fallouts of the pandemic and Russia-Ukraine war, he said.

Even for economically vulnerable countries, the DCTS appears more flexible in terms of the implementation of certain international conventions, Hassan

"Apart from the UK, we have also been able to secure positive outcomes in market access to Canada and Australia," he said.

"We are launching the Developing Countries Trading Scheme (DCTS) to harness the power of trade to help developing countries grow and prosper," reads a statement from

the UK's Department for Business & Trade.

new scheme offers developing countries one of the most generous sets of trading preferences of any country in the world," it adds.

The DCTS applies to 65 countries, including those that currently benefit under the UK's GSP, offering lower tariffs and simpler rules of origin requirements for exporting to

The GSP includes 47 countries in the GSP LDC Framework and 18 additional countries or territories classified by the World Bank as low income (LIC) and lower-middle income (LMIC).

It does not apply to countries classified by the World Bank as upper-middle income for three consecutive years, or to LICs and LMICs with a free trade agreement with the UK, the statement also

Investors see long wait

"The growing trade interconnectedness seems to be providing some announcements," said Chris Turner,

global head of markets at ING. ING calculates that since 2015, the share of core BRICS in the new candidates' imports increased from 23 percent to 30 percent, replacing the euro area, the United States, and

other developed economies. Other analysts and investors say Iran, which is under Western sanctions, as well as the bloc's heavyweight member China - which has long-pushed for enlargement are among the main beneficiaries of expansion.

"China and Brazil, India will benefit in terms of easy access to oil, and Argentina and notably Iran markets fixed income strategist at foreign exchange fluctuations.

BankInvest in Copenhagen.

"At most, the enlargement is a benefit for the new entrants that are fundamental ground for political hungry for capital," said Hasnain Malik, a Dubai-based managing director at Tellimer, an emerging markets research firm.

"But this assumes they would not have seen capital inflow anyway from the richer BRICS countries and that any capital provided via a BRICS institution does not jeopardise that from other multi and bilateral sources."

A BRICS loan to Argentina could conflict with the bailouts it has received from the International Monetary Fund, which has deeper pockets, said abrdn's Szabo.

Increasing use of national currencies to reduce US dollar dependence was another goal BRICS leaders discussed at the summit will benefit in terms of access to in Johannesburg. They said this markets and FDI," said Jakob Ekholdt could help lessen their economies' Christensen, senior emerging vulnerability to a strong dollar and

Fed may need to raise interest rates further **Powell says**

REUTERS

The Federal Reserve may need to raise interest rates further to cool still-toohigh inflation, Fed Chair Jerome Powell said on Friday, promising to move with care at upcoming meetings as he noted both progresses on easing price pressures as well as risks from the surprising strength of the US economy.

will proceed carefully as we decide whether to tighten further or, instead, to hold the policy rate constant and await further data," Powell said. "It is the Fed's job to bring inflation down to our 2 percent goal, and we will do so.'

The Fed has raised rates by 5.25 percentage points since March 2022.



Improving waste management while also increasing consumer awareness on the post-use environmental impact of plastics could help bring the industry into a circular model, experts say.

Infrastructure needed for plastic circularity

Speakers say at seminar

STAR BUSINESS REPORT

Bangladesh needs to establish the required infrastructure to efficiently collect, store and recycle plastic products in order to achieve circularity in the industry, speakers said at a seminar.

Numerous economies are working towards circularity in the plastics industry so that products made from the synthetic material can be reused, recycled or refurbished, thereby ensuring lower pollution.

As such, improving waste management while also increasing consumer awareness on the post-use environmental impact of plastics could help bring the industry into a circular model, they said.

These comments came at a seminar, styled "Innovation for Plastic Circularity", organised by Unilever Bangladesh Limitedand the Bangladesh Plastic Goods Manufacturers and Exporters Association

The event was held at the Radisson Blu Water Garden Hotel in Dhaka yesterday.

"At the policy level, it would be possible to prepare an action plan for reducing plastic pollution if all stakeholders protecting the environment at the same that a major portion is still wasted.

are involved in the planning process," said Zaved Akhtar, CEO of Unilever Bangladesh.

He then pointed out that Singapore has been able to reduce, regulate and increase its overall plastic recycling by creating the Plastic Packaging Council to control plastic use and pollution in the country.

"Since plastic is a recyclable material, our priority should be to establish circularity through design innovation," Akhtar added.

Bangladesh's annual per capita plastic consumption in urban areas rose from 3 kilogrammes (kgs) in 2005 to 9 kgs in

The rate is particularly high in Dhaka, where each individual consumes roughly 24 kgs of plastic materials each year.

And although plastic products have their benefits, the mismanagement of plastic waste is increasing environmental

The domestic market for plastics was worth \$4 billion in fiscal 2022-23, registering growth of about 20 percent year-on-year, as per BPGMEA data.

we want rapid development while

time, which is difficult," said Planning Minister MA Mannan, adding that it falls on the government to balance these two

Amin Helaly, senior vice president of the Federation of Bangladesh Chambers

> Numerous economies are working towards circularity in the plastics industry so that products made from the synthetic material can be reused, recycled or refurbished

of Commerce and Industry, said there is

no alternative to the use of plastic. "The more we get into industrial growth and urbanisation, the more significant plastic use becomes for manufacturing and production. But uncontrolled plastic wastage is harming the environment tremendously," he said.

At present, just 40 percent of the olastics used are being recycled, meaning

"So, innovative ideas are needed to decrease this percentage," Helaly said.

"There are a vast number of industries that are not maintaining proper recycling or reusing of plastic, which is causing pollution and a number of health issues,' he added.

Shamim Ahmed, president of the BPGMEA, said the rate of plastic consumption is increasing every year.

"So, if this problem is not solved now, the future will not be good," he added.

Sheikh Muhammad Tauhidul Islam, CEO of the Chattogram City Corporation, said plastic waste management is becoming more challenging every day.

"If the common people are not aware, the situation will only get worse," Islam added.

Saber Hossain Chowdhury, chairman of the parliamentary standing committee on the environment, forest and climate change, said a visionary policy is needed for circularity in the plastics industry.

"This is a big challenge for the government," he added, citing how another issue is that there are many laws in place for preventing plastic waste, but not many of them are being implemented.

Kushtia

Indian farmers ramp up rice acreage

REUTERS, New Delhi

Indian farmers have planted 38.4 million hectares (94.8 million acres) with rice, up 4.3 percent on the same period last year, farm ministry data showed on Friday, as a revival in July monsoon rains and higher prices encouraged growers to boost

Higher rice planting could alleviate supply concerns in the world's second biggest producer of the grain. Last month, India surprised buyers by imposing

a ban on the export of widely consumed nonbasmati white rice, following a ban on broken rice exports last year.

New Delhi's decision to ban overseas shipments of its largest rice export category would be likely to roughly halve shipments by the world's largest exporter of the grain. Millions of India's growers start planting

summer crops such as rice, corn, cotton, soybeans, sugarcane and peanuts from June 1, when monsoon rains typically begin lashing India. The monsoon is critical as nearly half of India's farmland lacks irrigation.

For June and July together, India's monsoon rains were 5 percent above average, falling 10 percent below normal in June but rebounding to 13 percent above average in July.

But summer rains turned patchy again this month, dragging down overall monsoon rains to 7 percent below average since the season began on June 1. The weather office defines average, or normal, rainfall as between 96 percent and 104 percent of a 50-year average of 87 cm (35 inches) for the four-month season.

Russia may raise fish, seafood exports to China

REUTERS, Moscow/Tokyo

Russia hopes to increase its marine product exports to China in the wake of China's ban on Japanese seafood imports after the release of treated radioactive water from the wrecked Fukushima nuclear power plant into the sea.

Russia is one of the biggest marine product suppliers to China, with 894 Russian companies allowed to export seafood, Rosselkhoznadzor, the Russian food safety watchdog, said in July.

In a statement late on Friday, Rosselkhoznadzor said it was seeking to increase the number of

"The Chinese market in general is promising for Russian fish products. We hope to increase the number of certified Russian companies and ships, the volume of products and its range," the Rosselkhoznadzor statement said.

To aid that effort, Rosselkhoznadzor plans to continue dialogue with China on seafood safety issues and finish negotiations with China on regulations for Russian marine products supply to the country, the statement said.

16 non-banks weighed down

issues, so their choice of lending is not faring well, said Khan, also a former managing director of IDLC Finance Limited.

There is a lack of senior officials in the NBFIs to assess and monitor credit. Without proper risk management, a lender's NPL ratio cannot be kept within the safe zone, he said. The capital in some of the NBFIs

is low compared to their NPLs, which is a matter of serious concern," said Khan, also a former chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA). He recommended that some of

the NBFIs which were staging a poor performance be merged with the big NBFIs so that those could be aptly run at low operational costs.

Due to the high NPL ratio, 25 percent of loans of the NBFI sector has become classified.

The sector's outstanding loans stood at Tk 71,250 crore while classified loans Tk 17,840 crore, according to Bangladesh Bank.

The NPL ratio skyrocketed as the previous board of directors and management failed to perform properly, reasoned Md Mashiur Rahman, managing director of the International Leasing and Financial Services Limited.

"There was theft of funds," he said, adding that now a restructured board was trying to revive the company but

none wanted to provide funds.

"As a result, we are trying to include the big depositors, lenders of the NBFIs, especially banks, who lent funds earlier...If they join the board, people's confidence might be regained," he said. Until the confidence returns, the

company will not be able to properly be up and running, Rahman added.

The NPL situation is comparatively better in the banking sector, although it is the second highest in South Asia after Sri Lanka.

In the banking sector, NPLs stood at Tk 131,621 crore as of March 31, accounting for 8.8 per cent of the banking system's outstanding loans of Tk 14,96,346 crore. Even amidst all the adversities, some NBFIs are still managing to do good business.

The NPL ratio in seven NBFIs remains below 5 percent. They are Strategic Finance & Investments Limited, Alliance Finance Limited, DBH Finance PLC, Agrani SME Financing Company Limited, United Finance Limited, IDLC Finance

Limited and IPDC Finance Limited. Although the NBFI sector is passing a tough period, some companies are doing well in keeping the NPL ratio low, mainly due to good governance, said Md Kyser Hamid, managing director and CEO of Bangladesh Finance.

Most loans turn into nonperforming ones when the lender

does not adopt good governance in lending, he said.

It is true that some borrowers really face problems and it is a part of the business. But, the NPL ratio rose to a high level due to wilful defaulters working in connivance with board and management team members, he added.

BD Finance's NPL ratio was 7.32 percent. As the spread in the NBFI sector has shrunk and income from the stock market slumped, profits have been squeezed, Hamid said.

The gap between borrowing and lending rates came down to 0.27 percent in June while it was at an average of 0.75 percent throughout the first six months of the year, as per Bangladesh Bank.

On top of that, liquidity pressure in the money market also impacted the growth of assets of the NBFIs, added Hamid, who is also vice-chairman of

In June, surplus liquidity in the banking sector stood at Tk 166,200 crore, down from Tk 203,435 crore a year ago, shows the central bank data.

IDLC Finance Limited is the largest NBFI in Bangladesh with outstanding loans amounting to Tk 10,851 crore, followed by Infrastructure Development Company Ltd (Tk 7,877 crore), IPDC Finance Limited (Tk 6,846 crore), LankaBangla Finance Limited (Tk 6,091 crore) and DBH Finance PLC (Tk 4,419 crore).

"We saw better performance

of these varieties in Jashore and Bandarban areas during field trial,"

food crop in South Asia.

Jashore,

Chattogram region.

introduced in the country.

Chuadanga,

districts in the southwest and

western region, Rangpur, Bogura

and Rajshahi districts in the north,

Dhaka, Mymensingh districts along

with hilly districts - Khagrachari,

Bandarban, and Rangamati — in the

Sowing of cotton begins in July-

August period and it is harvested in

December-January period of a year.

GM cotton cultivation Bangladesh joined the list of the hectare of land, which is 15 percent to 20 percent higher than the local GM-crop cultivating nations in 2014

introducing Bt brinjal, the first GM variety, while the production cost is 12 percent to 15 percent lower, This is the second GM plant to be according to the CDB.

The CDB executive director said The CDB official said it is the genetically modified varieties preparing 168 demonstration plots of cotton are resistant to bollworm on 168 acres area in 13 zones namely

> cannot damage the crop. The biotech varieties are grown in various countries and GM cotton accounts for 79 percent of total cotton grown in the world, he added.

India began cultivation of GM cotton in 2002 and Pakistan in 2005. China has been using biotech varieties since 1997, he added.

The CDB chief said Bangladesh produced 200,000 bales of cotton last year and in order to increase promote cultivation of genetically modified cotton on fallow land and in The average yield of Bt cotton is areas where cropping intensity is low.

"We want to increase domestic production to 15 lakh bales by 2030 to meet one-fifth of our local requirements," he said.

Some 16 lakh bales of cotton are required in Bangladesh for its domestic consumption and 85 lakh bales are currently required by the country's spinning and weaving and thus increases yield as the insect industries for the production of yarn and fabrics for export-oriented garment factories, according to a press statement by the agriculture ministry issued last week.

Bangladesh annually imports around Tk 33,000 crore worth of cotton from different countries, including India, Pakistan, Brazil, Australia, Argentina and some South African and central Asian countries, according to the statement.

The CDB top official said domestic production, it plans to Bangladesh saved \$70 million of import cost thanks to the local production of 200,000 bales of

NBFIs with lower bad loans

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Furthermore, seven of these 11 NBFIs registered NPL ratios of less than 5 percent.

For example, Strategic Finance showed that its NPL ratio is currently zero. However, it should be mentioned that this is expected given that the company was only just incorporated in of Alliance Finance PLC (previously known as Lankan Alliance) and DBH Finance stood at 0.2 percent and 0.88 percent respectively, according to Bangladesh Bank data.

of DBH Finance stood at Tk 4,419 crore by the end of March.

Meanwhile, Agrani SME Financing Company registered an NPL ratio of 3.1 percent while that of United policy, industry issues, natural central bank data shows.

Finance was 4.3 percent.

Similarly, IDLC Finance and IPDC Finance saw NPL ratios of 4.46 percent and 4.73 percent respectively.

"The main attribute for ensuring lower NPL ratio is good borrower selection, proper risk management and rigorous monitoring," said Kanti Kumar Saha, vice chairman of the Bangladesh Leasing and Finance Companies Association.

"This is possible only when the best management practices are being followed as if an NBFI can select good borrowers, its recovery will also be better," he added.

Saha then explained that it is expected for a portion of a lender's calamities and so on.

"But that does not mean the NPL ratio can be allowed to go beyond an acceptable level. Even developed markets are no exception to this but keep their NPL ratio at a lower level through prudent risk management,'

"So, the capability of an NBFIs' risk management team is important here. If they cannot assess and identify the risks of the borrower, the NPL ratio will go up," Saha added.

Agricultural Investment Company registered an NPL ratio of 6.3 percent as of this March while it was 6.9 percent in National Housing.

The Saudi Bangladesh Industrial

Likewise, the NPL ratio was 7.3 percent in BD Finance and 8.3 percent in LankaBangla Finance,

Digital banks should aim

"There is an average of 12 million transactions carried out through bKash daily. Of it, 8 million transactions are settlements, such as mobile recharges and utility bill payments," he said.

"So, I think the digital adoption rate in Bangladesh is good in general," Quadir added.

Quadir said digital lending, introduced by City Bank with partnership with bKash, has seen a

tremendous response from customers. About 3 lakh people have taken

far, and the rate of non-performing loans stands at just 1 percent, he

AKM Fahim Mashroor, CEO of bdjobs.com, said amid the rise of digital services, financial crimes and scams are also seeing significant growth.

Highlighting the success of fintech products in Bangladesh, Fahim Ahmed, CEO of Pathao, said Bangladeshi consumers took Pathao's option to "Buy Now, Pay Later" very positively.

"So, we have demonstrated our

funds amounting to Tk 400 crore so ability to harness data and analytics to unlock flexible spending for our customers," he added.

Ahmed also said that with a digital bank license, Pathao is uniquely positioned to expand financial access for the digital native youth and techenabled small businesses in the country

The Bangladesh Fintech Forum hosted the "Mastercard Presents 4th Bangladesh Fintech Summit", powered by bKash in association with . Mutual Trust Bank Limited, Upay, BASIS and The Daily Star.

2020. Of the older NBFIs, the NPL ratio

Alliance Finance's loan portfolio amounted to Tk 362 crore while that

loan portfolio to become temporarily "toxic" or "bad" for various reasons, such as sudden changes to the fiscal

BUSINES

Executive Motors brings BMW electric vehicle

STAR BUSINESS REPORT

Executive Motors Limited yesterday unveiled the BMW iX3 M Sport, the firstever electric vehicle from BMW, for the Bangladesh market.

The vehicle has a price tag of Tk 1.55 crore.

are immensely proud to introduce the BMW iX3 M Sport, the first-ever BMW electric vehicle in Bangladesh. This marks a pivotal moment for both the BMW brand and our valued customers here," said Ashique Un Nabi, director for operation at Executive Motors.

"The entire world is experiencing an electric vehicle revolution, which will eventually supplant automobiles that run on fossil fuels. In keeping with that, Executive Motors Limited began the iX3's journey within the entire country."

"The vehicle maintains BMW's performance, technology, and tradition while promoting a cleaner and better environment in our nation," he added.

The BMW iX3 M Sport represents a paradigm shift in the realm of sustainable combining mobility, iconic design BMW's language and innovative technologies to deliver an exhilarating, emissionfree driving experience, Executive Motors said in a press release.

Executive Motors will set up BMW standard charging stations at 16 locations across the country for the convenience of customers, which will mark an important milestone for the nation's journey of electric vehicles, according to the statement.

Oil futures up 1%

REUTERS, New York

Oil futures climbed about high on Friday as US diesel prices soared, the number of oil rigs dropped, and a fire broke out at a refinery in Louisiana.

Brent futures rose \$1.12, or 1.3 percent, to settle at \$84.48 a barrel, while US West Texas Intermediate (WTI) crude rose 78 cents, or 1.0 percent, to settle at \$79.83.

Diesel futures soared about 5 percent to a near seven-month high, boosting the diesel crack spread, a measure of refining profit margins, to its highest since January



A farmer works on an Aus paddy field in Nandigram upazila of Bogura yesterday. Aus cultivation starts from the March-April period and harvest continues from July to August. PHOTO: MOSTAFA SHABUJ

Bangladesh's rice acreage, production to drop

USDA says, blames late monsoon, heatwave

SOHEL PARVEZ

Land use for rice cultivation in Bangladesh is likely to decline in marketing year (MY) 2023-24, which began on May, forecasted the US Department of Agriculture at the end of last

The late arrival of monsoon rains and a heatwave during the Aus season may result in rice cultivation area being 1.7 percent lower to 1.16 crore (one crore = 10 million) hectares of land than the 1.18 crore hectares it had previously forecasted, said the USDA.

Accordingly, total milled rice production is expected to decline to 3.64 crore tonnes, down 1.6 percent from its earlier prediction of 3.7 crore tonnes.

There was 16 per cent lower rainfall than the average in June whereas nearly 51 percent below normal in July. Monsoon rains are likely to be normal in August, forecasted Bangladesh Meteorological Department

"The reduction is due to the decrease in acreage and production of the last Aus season rice and current Aman season rice," said the USDA in its latest Grain and Feed Update on Bangladesh.

The agency considers Boro, the dry season crop requiring irrigation, to be the first rice season for the marketing year.

And in the MY24, production of the Boro rice, planted between December 2022 and January 2023 and harvested from April to May, was 2 crore tonnes, it added.

The Bangladesh Bureau of Statistics is yet to publish its estimate on the production of

The Aus rice is the second crop in the marketing year and its cultivation starts from the March-April period whereas harvests from July to August.

The USDA report, citing estimates by the 2,000 per acre (0.4 hectares) on an average, it Department of Agricultural Extension (DAE) and agricultural officials, said lower rainfall and a heatwave hampered the Aus season rice cultivation in many areas of the country this

As a result, the area coming under Aus season rice cultivation declined to 10.5 lakh hectares of land, down 5 percent from its previous forecast.

There was 16 per cent lower rainfall than the average in June whereas nearly 51 percent below normal in July. Monsoon rains are likely to be normal in August.

Production of the crop is expected to fall 4 percent to 24 lakh tonnes as well, it said, adding that the crop heavily depends on rainfall and contributes less than 10 percent of the annual rice production.

Adequate and timely rains are important for good yields of the post-monsoon Aman season rice, whose seedling are grown in seedbeds prepared early July and which are transplanted in the August-September period, said the report.

Delayed monsoon rains and a lack of rainfall in July affected the preparation of seedbeds for the Aman rice this season, said

Farmers adopted to supplemental irrigation to prepare and flood their lands for the transplantation of seedlings. The costs of irrigation vary for each farmer, but it is Tk said.

The USDA has lowered its forecast for the MY24 Aman season rice cultivation area and production by 3 percent and 4 percent to 57.5 lakh hectares of land and 1.40 crore tonnes respectively.

With lower production, the agency revised upward its forecast of rice imports by Bangladesh to 10 lakh tonnes from a previous 900,000 tonnes.

In terms of consumption of rice, the staple food in Bangladesh, the US agency said overall consumption of the grain may slightly decline to 3.8 crore tonnes in the MY24 from its previous forecast of 3.82 crore tonnes for the lower production of rice production.

The agency also highlighted the issue of production costs increasing for farmers. Citing its contacts, the USDA report said currently farmers were using both chemical cultivation.

There is no shortage of chemical fertilisers this season, it said.

"However, farmers are paying slightly higher prices than the government rate to buy chemical fertilisers," said the USDA referring to its contacts.

Farmers' profits from rice cultivation are getting lower as costs of inputs, including seeds, fertilisers, herbicides and pesticides, are increasing, said the report.

"Moreover, higher labour costs also affect the total cost of rice production. The cost of irrigation has also gone up recently due to nigher fuel prices," it said.

"By having to use supplemental irrigation during what is normally a rainfed rice season is also increasing the cost of production," it

Can we be optimistic about Bangladesh?

MAMUN RASHID

Of course. Despite challenges around, we have many reasons to be optimistic about Bangladesh.

On the face of it, Bangladesh's economic situation may not give us much hope but on a deeper analysis of the underlying situation, there is a lot to be optimistic. The major challenges for Bangladesh right now are clear: currency devaluation, shrinking reserves, corruption, talent drain of skilled workers, policy ambiguity, challenges of graduation from LDC and an unstable and undercapitalised financial sector. The positives we will focus on are the key strengths which have recently gotten overlooked such as the population dividend of Bangladesh, the strength of consumption and the continuing interest of international organisations.

The population dividend of Bangladesh is yet to be fully realised and even though the state of education needs serious attention, the size of the population presents a strong value proposition for businesses. Production is cost-competitive and despite the upcoming graduation to a middleincome country, including the loss of trade advantages, labour-intensive industries will continue to find the lower wages a competitive advantage. The RMG industry, especially, needs to adapt to the new situation by investing in manmade fibre and alternative textiles in order to move into higher value-added items. The positive news is that some of the biggest exporters in the country are already moving into these items. I met seniors from two development partners and eight local corporates from Dhaka and Chittagong last week. Though some of them looked uncertain and to

some extent confused, they still are thinking of expansion, further investment and going beyond.

The strength of the consumption market is one of the biggest success stories in Bangladesh and has been the result of a sustained multi-decade campaign by consumer companies in Bangladesh. Despite the impact of Covid-19, when spending slowed down in many ways, we saw the consumer market

sustain demand and companies were able to raise revenue even though their bottom lines took a hit due to rising input costs. Consumption is expected to continue rising and prominent companies as mentioned are highly optimistic about the economy.

There is large incoming investment in the infrastructure across sectors and we can expect that there will be a lot of investment with foreign and local partners to improve all economies. Padma Bridge is the first of a series of major infrastructural projects such as the Matarbari port and a series of public private partnership projects are likely to super-charge economic activity.

We have also been seeing a renewed interest in automobile and consumer companies in entering Bangladesh. These companies are emblematic of the belief in Bangladesh as an economy. HSBC's recent report of Bangladesh becoming a trilliondollar economy by 2030 is also based on the power of consumption. Added to this also their new report on the prospects of Bangladesh capital market.

One of the major roadblocks to private and public investment is of course the upcoming election. Both private companies and international organisations are unsure about their investment plans as they wait to see who will be coming to power and how do they prioritise their reforms agenda. However, irrespective of who comes to power, the development partners are likely to support the private sector and ensure the growth continues.

I would today conclude with a simple sentence that I heard from the head of a development partner institution mainly supporting private sector investment in this region. It seemed to him "foreigners are more optimistic about Bangladesh than we locals are".

Hence, it is time to justify our faith in Bangladesh's growth story and move forward with more hopes, confidence and innovation. May be, we professionals need to be more articulate, steadfast and logically courageous too.

The writer is an economic analyst.

ENLARGED BRICS

Investors see long wait for economic boon

REUTERS

The expansion of the BRICS group of developing countries could provide a lifeline to capital-starved new entrants Iran and Argentina, but investors and analysts say a broader economic boon for the bloc's members is far from certain.

Leaders of the BRICS - Brazil, Russia, India, China and South Africa - invited the two as well as Saudi Arabia, the United Arab Emirates (UAE), Ethiopia and Egypt into the club at a summit this week in Johannesburg.

The move is aimed at increasing the BRICS' clout as a champion of "Global South" nations, many of which feel unfairly treated by international institutions dominated by the United States and other wealthy nations.

The additions are a mixed bunch: Saudi Arabia and the UAE are wealthy oil producers, inflation-wracked Argentina is desperate for foreign investment, Iran is isolated by Western sanctions, Ethiopia is recovering from a civil war and Egypt's economy is in crisis.

Some investors and economic analysts are sceptical that expansion will lead to increased foreign direct investment (FDI) within the bloc.

"Egypt has already been expecting a lot of FDI from Saudi... and the Gulf money is not coming - and it is not because they are not in the BRICS organisation, it is because the proposition is not attractive," said Viktor Szabo, a portfolio manager at abrdn in London.



Still, BRICS leaders and other investors touted the increased economic heft from the expansion. The new members would grow the bloc's share of global GDP to 29 percent from 26 percent and trade in goods to 21 percent from 18 percent, Li Kexin, a senior Chinese foreign ministry official, told a press briefing on Thursday.

"I don't know if I would say it's a game changer, but in terms of opening up consumer markets there is scale there,' said Ola El-Shawarby, deputy portfolio manager for the Emerging Markets

Equity Strategy at Van Eck in New York. Increasing trade links between existing and prospective members of the bloc have garnered attention.

READ MORE ON B2

India expands curbs on rice exports

REUTERS, Mumbai

India has imposed a 20 percent duty on exports of parboiled rice with immediate effect, a move that could further reduce shipments from the world's largest exporter and lift global rice prices, which are already trading near their highest levels in 12 years.

Last month, India surprised buyers by imposing a ban on exports of widely consumed non-basmati white rice, following a ban on broken rice exports last year.

The ban prompted some buyers to increase purchases of parboiled rice and lifted its prices to record highs, said a Mumbai-based dealer with a global trade house.

"With this duty, Indian parboiled rice would become as expensive as supplies from Thailand and Pakistan. There is hardly any option for buyers now," the dealer said.

India exported 7.4 million tons of parboiled rice in 2022.

In July, the United Nations food agency's rice price index jumped to its highest level in nearly 12 years as prices in key exporting countries jumped on strong demand after India imposed restrictions on the exports.

India accounts for more than 40 percent of world rice exports, and low inventories with other exporters mean any cut in shipments could inflate food prices already driven up by Russia's invasion of Ukraine last year and by

India has now imposed restrictions on all kinds of non-basmati rice, which poor consumers in Africa and Asia usually prefer, said a New Delhi-based dealer with a global commodities demonstrates the sensitivity of trade house.

"Global rice prices had begun to moderate in the last few days after rallying more than 25 percent due to India's restrictions last month. However, prices are expected to rise again," the dealer said.

The recent curbs on exports of food

the government of Prime Minister Narendra Modi to food inflation ahead of a general election nearly next year.

His administration has extended a ban on wheat exports after curbing rice shipments in September 2022. It also capped sugar exports this year as cane yields dropped.



Labourers use shovels to separate rice husk from the grain at a wholesale grain market in Amritsar.