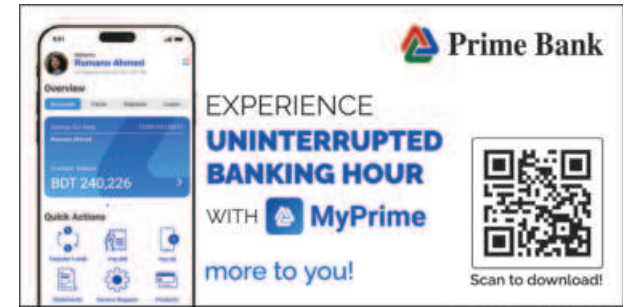


# star BUSINESS



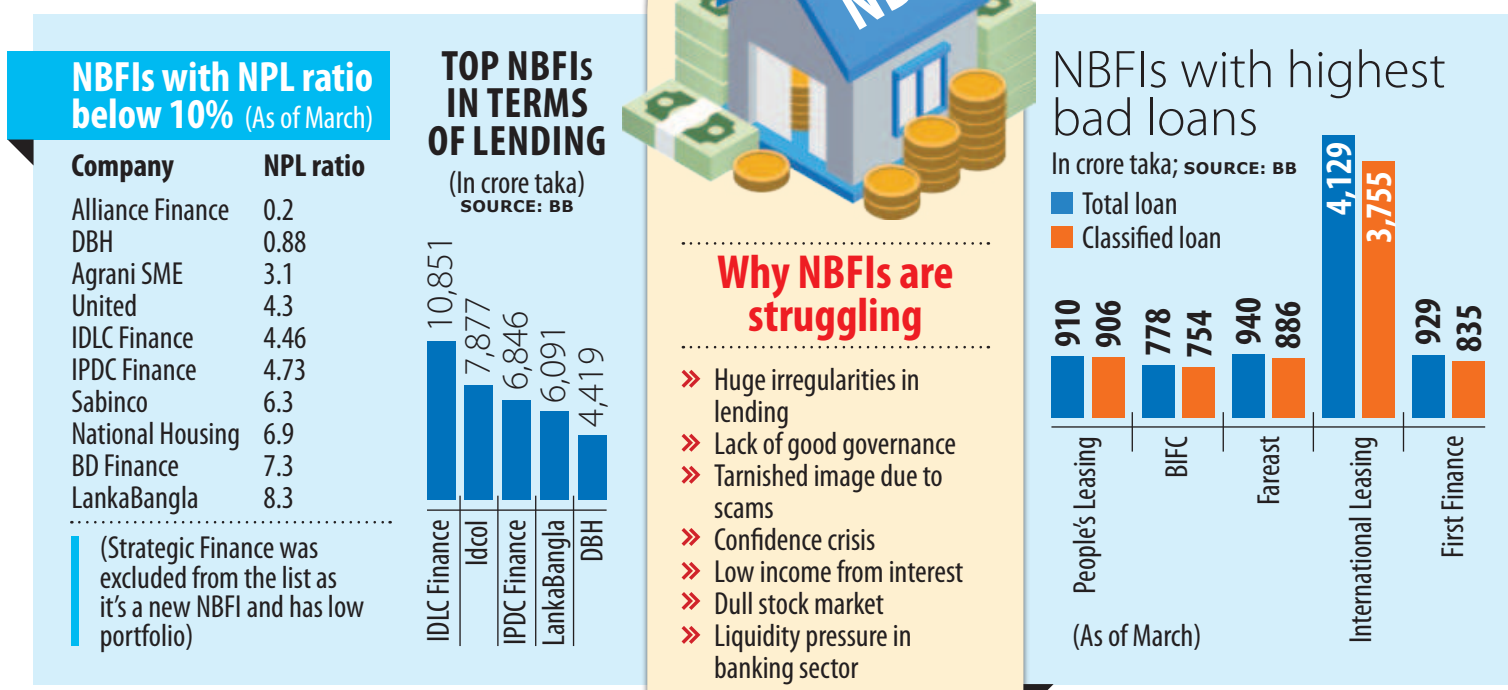
## NBFIs with lower bad loans

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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## WEEKLY INTERVIEW



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 yarn, a top official of the Cotton Development Board (CDB) said yesterday.

The development comes after the agriculture 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 Ibne 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.

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# 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 non-performing 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.



There are 35 NBFIs in the country. For 16, the nonperforming loan (NPL) ratio is over 30 percent, according to Bangladesh Bank data.

Even more alarming is the fact

that six out of the 16 had around 90 percent of their loans turned classified at the end of March 2023.

The six are the People's 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 good 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

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## Digital banks should aim to speed up financial inclusion

Experts say at fintech summit

STAR BUSINESS REPORT

The key objective of digital banks should be to expand financial inclusion 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 yesterday.

"These ecosystems aim to cater to diverse customers' needs within a unified interface, from financial services to related offerings," he said.

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, said Bangladesh has witnessed considerable growth in digital financial inclusion and digital service usage over the years.

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### 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

STOCKS		WEEK-ON WEEK
DSEX	CASPI	
0.40% 6,280.09	0.49% 18,570.17	

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

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	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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