

# star BUSINESS

Nagad, Kori  
get nod to  
open digital  
banks

STAR BUSINESS REPORT

Bangladesh Bank yesterday handed over letters of intent (LoIs) to Nagad Ltd and Kori, paving the way for them to launch full-fledged digital banks for the first time in the country.

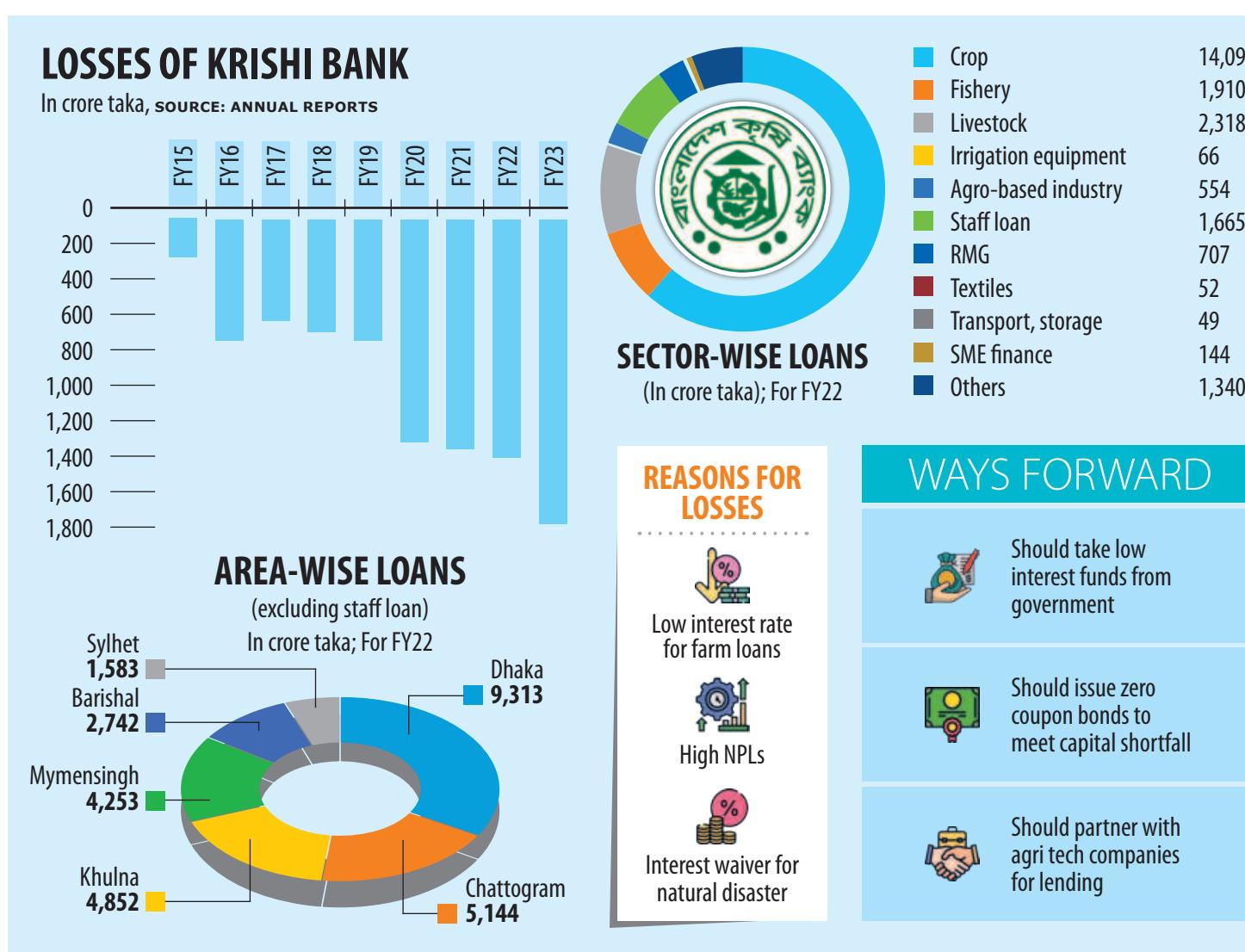
Abdur Rouf Talukdar, governor of the central bank, presented the LoI to Tanvir A Mishuk, founder and managing director of Nagad Ltd, and Habibullah N Karim, chairman of Kori Digital Bank.

On Sunday, the BB decided to give the permission to set up Nagad Digital Bank PLC and Kori Digital Bank PLC.

"We received approval from Bangladesh Bank to establish the country's first digital bank," Mishuk told The Daily Star after receiving the letter.

He said Nagad Digital Bank aims to bring banking services to the fingertips of the people

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Walton  
returns to  
profit in Q1

STAR BUSINESS REPORT

Walton Hi-Tech Industries PLC saw its profits bounce back in the first quarter of the current fiscal year mainly due to lower finance costs.

Walton, a powerhouse in the local market for consumer electronics, logged profits of Tk 202 crore in the July-September period of 2023-24. It incurred losses of Tk 46 crore during the same period the previous year.

Subsequently, its earnings per share stood at Tk 6.67 in the quarter while it was Tk 1.52 in the negative previously.

The company's directors approved its quarterly financial report at a board meeting yesterday.

In a disclosure, Walton said finance costs in the July-September period were significantly lower thanks to the slower depreciation of the taka against foreign currencies such as the US dollar and the euro.

The company suffered foreign currency losses amounting to Tk 1.89 crore in the first quarter. It was Tk 262.46 crore during the corresponding period of 2022.

## Krishi Bank incurring losses for 30 years

AHSAN HABIB

Bangladesh Krishi Bank (BKB) has been incurring losses for at least 30 years due mainly to structural weaknesses as the state-run lender has to lend at lower interest rates, pay more for deposits and is sitting on higher non-performing loans.

The loss aggravated in the last six years, almost tripling to Tk 1,700 crore in the fiscal year of 2022-23 from Tk 625 crore in 2017-18.

The specialised bank was established under a presidential order in 1973 in order to support the agriculture sector of the war-torn country.

BKB officials say the bank has been incurring losses from its inception except for several years.

Figures show the bank suffered a loss of Tk 165 crore in 1994-95. It has been in the red since then except for 2000-01 when it logged a profit of Tk 2.91 crore.

"The main reason for the loss is the bank lends at a rate that is lower than the cost of funds," said Ali Hossain Prodhania, a former managing director of BKB.

The bank mainly lends to the agriculture sector where the interest rate is administered and it is at least 3 to 4 percentage points lower than the commercial

lending rate. However, the cost of funds is similar to the commercial banks, he explained.

"It is tough to bring commercial viability to the bank if the basic structure remains unchanged."

Additionally, the bank had to give waivers to farm loans

did not default on their repayments. Rather some large loans disbursed in the readymade garment sector turned sour, Prodhania said.

BKB has kept logging the highest capital shortfall in the banking sector: the deficit stood

BKB go to the agriculture sector. In order to meet the lending target, the bank has to collect deposits at higher rates.

The government can set aside low-cost funds to boost the agriculture sector and accelerate its modernisation, Khan said.

Since agriculture is a disaster-prone sector, BKB is instructed to give interest waivers to borrowers for logical reasons, he said.

"The contribution of the bank to the agriculture sector is high."

BKB's lending portfolio is concentrated in the Dhaka and Chattogram divisions. Of the Tk 29,555 crore loan book in FY23, a third or Tk 9,313 crore was disbursed in the two regions.

Asked, Khan said the bank provided a huge number of loans to the industrial sector too, so the credit concentration in the divisions was high.

BKB plans to recover bad loans with a view to cutting losses and reaching small and medium enterprises (SMEs).

"The new management is trying to get back the bad loans even by giving interest rate waivers," Khan said.

He said management has set its sights on both profit and service and plans to lend Tk 8,000 crore in the SME sector.

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following the government order in the mid-1980s. However, it did not receive the principal amount as a subsidy, which widened the loss.

BKB also provides some services free of cost. It has 35 lakh borrowers, so monitoring and managing such a borrower base is costly, said Prodhania.

BKB's NPLs stood at Tk 3,188 crore at the end of FY23, which represented 10.55 percent of its disbursed loans, central bank statistics showed.

In most cases, small farmers

at Tk 15,540 crore in June.

Md Shakwat Ali Khan, managing director of BKB, blamed the higher NPLs and the negative net interest income for the persisting loss.

Low investment income is another factor for the loss, he said.

"In the past, the bank waived a huge amount of interest income and principal amounts but it did not receive any subsidy from the government. Therefore, the bank is facing a huge capital shortfall."

Around 65 percent loans of

the total loans are given to the agriculture sector.

Prodhania said the bank is trying to reduce the NPLs by giving interest rate waivers.

"The new management is trying to get back the bad loans even by giving interest rate waivers," Khan said.

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