

Star BUSINESS

With sustained inflation already denting their wallets, tenants are finding themselves in a tough situation as house rents are being hiked.



Story on B4

Non-bank loans turning sour hit record

Account for 30pc of disbursed loans

MD MEHEDI HASAN

Defaulted loans at non-bank financial institutions (NBFIs) accounted for a record 30 percent of disbursed loans, indicating a fragile situation in the sector due to widespread loan irregularities and scams.

Soured loans at the 35 NBFIs in the country stood at Tk 21,658 crore at the end of September last year, rising by 9 percent from June the same year and 25 percent from a year ago.

The latest amount of bad loans accounted for 29.75 percent of total outstanding loans of NBFIs at the end of September 2023. The ratio was 27.6 percent at the end of June the same year, according to the latest data from the Bangladesh Bank.

The data comes at a time when international agencies and economists have raised concerns over vulnerabilities in Bangladesh's financial sector due to rising distressed assets, including non-performing loans, and a lack of corporate governance.

The country's economy is currently enduring a challenging time because of external pressure and a crisis in the forex market, which is why the NBFI sector, alongside other sectors, is going through a difficult period, said Mominul Islam, former managing director and CEO of IPDC Finance.

Islam, who is also former chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA), told The Daily Star that the central bank has strengthened its monitoring of NBFIs since last year, which helped unearth the actual amount of bad loans.

The banking regulator recently intervened in the board

However, bad loans jumped after the central bank last year withdrew the deferral facility extended during the Covid-19 pandemic for repaying loans.

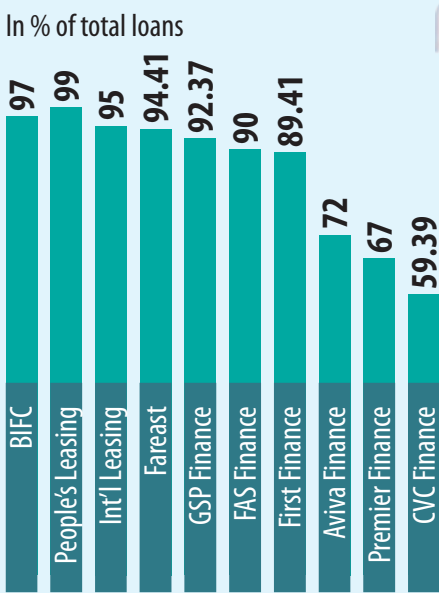
Of the total Tk 21,658 crore worth of bad loans in the sector, 10 NBFIs accounted for 67.48 percent or Tk 14,616 crore, showed BB data.

Bad loans of People's

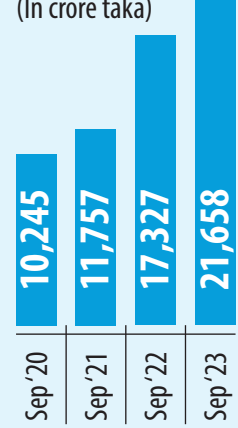
some NBFIs was unearthed.

Till September last year, bad loans of BIFC stood at Tk 743 crore or 97 percent of its disbursed loans; GSP Finance's at Tk 721 crore or 92.37 percent; Fareast Finance's at Tk 879 crore or 94.41 percent and Aviva Finance's at Tk 1,903 crore or 72 percent of its total loans, as per BB data.

Top ten non-banks in terms of bad loans



Bad loans rising



Reasons behind rising bad loans in non-banks

- Loan irregularities and scams
- Macro-economic challenges in economy
- Strict measures by central bank
- Slow loan recovery

SOURCE: BB

and management of some NBFIs such as Uttara Finance and Phoenix Finance due to loan irregularities and a lack of corporate governance.

Leasing and Financial Services, which faced widespread loan irregularities and scams, stood at Tk 1,097 crore or 99.02 percent of its total disbursed loans.

The non-performing loans (NPLs) of International Leasing and Financial Services, another scam-hit NBFI, stood at Tk 3,917 crore or 95 percent of its outstanding loans.

Loans irregularities of those two NBFIs came to light in 2019 when depositors did not get back their money and then the fragile financial situation of

Mominul Islam said some NBFIs had good financial health and were showing resilience amid the ongoing crisis, including IPDC Finance, whose bad loans stood at Tk 373 crore, which is only 5.39 percent of its total disbursed loans.

Echoing Islam, Md Golam Sarwar Bhuiyan, chairman of the BLFCA, said the ongoing economic situation posed a significant challenge to the NBFI sector.

Bad loans have increased after the withdrawal of the

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With election over, economy to take centre stage in 2024

AHSAN HABIB and MD FAZLUR RAHMAN

Despite persisting uncertainty, the economy apparently took a backseat in the last few weeks or so owing to worry surrounding the national elections. Since it took place on Sunday largely peacefully, it did not inflict any major harm on the already bruised economy.

But what would have to change overnight is that the measures that had been pushed back for the polls would now have to be put in place as soon as the new government takes over.

And no excuses will be acceptable if the ruling party, which is set to form the government for a fourth straight term, fails to get down to business with an all-out effort to salvage an economy facing one of its worst crises in recent memories, owing to external factors in general and internal failures in particular.

The country's current woes were initiated by the Russia-Ukraine war and the lingering fallout of the coronavirus pandemic.

However, mismanagement, inadequate policy decisions and lack of governance meant the impact of the twin global crisis has been harsher for a majority of the people in Bangladesh than those in other nations that have brought the situation under control.

Among the economic indicators, foreign exchange reserves have halved in just two years amid higher outflows than inflows. Inflation has skyrocketed. Income disparity has reached a critical level.

Among the economic indicators, foreign exchange reserves have halved in just two years amid higher outflows than inflows. Inflation has skyrocketed. Income disparity has reached a critical level.

The non-performing loans in the banking sector have mounted. The foreign debt is ballooning. Vested groups are making fortunes while the poor are languishing at the bottom.

To start with, the country needs a finance minister who can assure economic actors of the right steps that were missing for a while and can restore order in the financial sector shorn of confidence.



The economic progress and ensuring a better life for the people is my main aim.

Sheikh Hasina
Prime Minister

The biggest shake-up has to be in the banking and non-banking sectors, which have been reeling under crisis for the past few years because of inaction over corruption and mismanagement.

The nation needs a central bank governor who will not hesitate to make unpopular decisions.

Bangladesh needs a chairman of the National Board of Revenue who can plug loopholes and raise taxes from the people who are capable of paying taxes but don't do so, instead of milking the compliant taxpayers over and over.

It needs a commerce minister who will not be good at expressing helplessness that won him sympathy from gullible citizens but will also work to make the system as business friendly as possible.

At the same time, he needs to stand up to price manipulators and hoarders who were also responsible for higher consumer prices.

Amid higher inflation for the past 18 months that caused their purchasing power to erode significantly, people have already had their backs to the wall. If they are pushed further or their condition doesn't change, not only their backs may be broken, even the walls with so many cracks might crumble.

The Bangladesh Securities and Exchange Commission needs to make the stock market vibrant that the current commission has failed to deliver. The floor price, which has been in place since July 2022, has to be scrapped without thinking whether the withdrawal would make any good to the market or not. Figures are already there to prove that the floor has not helped the market in the first place.

During her post-polls courtesy meeting with visiting foreign observers and

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Stocks gain as worries ease after election

STAR BUSINESS REPORT

Stocks made gains yesterday as investors became optimistic of improvements in the business climate following Sunday's peaceful national elections, which dismissed apprehensions of confrontations among major political parties.

The DSEX, the benchmark index of the main bourse, Dhaka Stock Exchange (DSE), edged up 25.34 points or 0.40 percent from that on the last trading day on Thursday to close at 6,269.51 yesterday.

Shares made gains at Chittagong Stock Exchange (CSE) too.

Market movement was driven by positive changes in the market capitalisation of travel and leisure, paper and printing, and bank scrips, said Shanta Securities in its daily market review.

Turnover, an indicator of the flow of liquidity in the market, increased 28 percent at the DSE to Tk 441 crore yesterday.

"There was concern among many investors over whether the parliamentary polls will take place peacefully. As the election was held without any violence, investors' confidence rose," said DSE Director Richard D' Rozario.

Banks booked the highest gain of 0.94 percent yesterday followed by non-bank financial institutions (NBFIs) and pharmaceuticals, according to a daily market update of BRAC EPL Stock Brokerage.

Some banks booked higher earnings which boosted their shares, explained Rozario.

Investors were more active yesterday than they have been in the recent past, said Shekh Mohammad Rashedul Hasan, managing director and chief executive officer at UCB Asset Management.

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Unused foreign loans swell to \$48.44b: not a good sign

REJAUL KARIM BYRON

Unused foreign loans in the government's pipeline surged to \$48.44 billion in November from \$44.7 billion in June. That's not necessarily a good omen as it highlights the country's inability to use up cheaper funds available for projects.

The ballooning of the aid under its disposals has prompted the government to set a 27 percent higher foreign loan disbursement goal at \$11.78 billion for the current fiscal year, according to the annual report of the Economic Relations Division (ERD) for 2022-2023.

The higher target came despite a slow disbursement of external loans in the first five months of 2023-24: the government utilised \$2.12 billion between July and November, up 14 percent year-on-year.

In the entire FY23, \$9.27 billion in foreign loans was disbursed.

If the low utilisation persists, the loan in the pipeline might exceed \$50 billion in the ongoing financial year, which ends in June.

A finance ministry official said although the flow of foreign loans accelerated in recent times, the utilisation capacity of ministries and

divisions has not improved accordingly.

Some \$48.11 billion has been added to the foreign loan commitment pipeline in the five years to FY23, according to the ERD report, on the back of the funds from development partners that accelerated the lending to help Bangladesh overcome the

takes initiatives to ensure the maximum use of project assistance allocated under the development projects.

In the past few years, quarterly meetings at the wing level were held with ministries, divisions and development partners, it said, adding that slow-moving projects are identified

FOREIGN DEBT SUSTAINABILITY SCENARIO

Financial year	Ratio of foreign debt to		Ratio of debt service to	
	GDP	Export & remittance	Revenue	Export & remittance
FY18	12.8%	68.61%	8.3%	3.9%
FY19	13.9%	69.78%	9.4%	4.4%
FY20	14.7%	88.45%	10.2%	5.5%
FY21	16.9%	85.87%	8.4%	4.7%
FY22	13.7%	79.14%	9.2%	4.5%
Threshold level	40%	180%	18%	15%

SOURCE: ERD

crisis stemmed from the coronavirus pandemic.

The funds are supposed to be disbursed within the next five to six years. However, the release is directly linked to the implementation of projects.

The ERD report says it continuously

during the signing of loan agreements.

Additionally, the progress of project execution is monitored through a series of inspections in order to detect the problems that may arise during their implementation.

An ERD official said foreign loans in the pipeline crossed \$50 billion a

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