

Star BUSINESS

The telecom regulator recently permitted two more local companies to manufacture and assemble handsets



Story on B4

18 non-life insurers spent beyond regulatory limits in 2022

SUKANTA HALDER

Eighteen non-life insurance companies spent more in 2022 on management expenses than allowed, leaving a negative impact on their overall business and eroding their capacity to settle claims.

Company officials attributed the excess spending to an unstable business environment following the Covid-19 pandemic and other global crises.

The companies are Karnaphuli Insurance, Purabi General Insurance, Bangladesh General Insurance, Peoples Insurance Company, Standard Insurance, Crystal Insurance Company, Provati Insurance Company, Express Insurance, South Asia Insurance, Phoenix Insurance Company, Islami Commercial Insurance, and Meghna Insurance Company.

Also included are Republic Insurance Company, Nitol Insurance, Global Insurance, Desh General Insurance Company, Islami Insurance Bangladesh, and Bangladesh Co-Operative Insurance, according to a document of the Insurance Development and Regulatory Authority (IDRA).

Allowable management expense refers to the amount permitted by the IDRA to be spent on running operations, namely for paying agent commissions and operating costs.

The limits are set based on the gross premium income in a calendar year. Insurers can spend a certain percentage

Top five insurers that crossed limits of management expenses

- Meghna Insurance Company
- Global Insurance
- Islami Insurance Bangladesh
- Islami Commercial Insurance
- Bangladesh General Insurance

Areas of higher expenditure

- Salaries for officials and employees
- Payment of additional commission to agents
- Purchase of cars and stationery items
- Advertisement
- Motor vehicle maintenance
- Payments made to non-existent agents



that they receive in the form of premiums from fire and other types of insurance while marine insurance is considered separately.

For example, of the first Tk 15 crore of total gross premium income in a calendar year, a non-life insurance company can spend 35 percent of the amount it gets from fire and other forms of insurance behind management expenses. The amount

is 26 percent when it comes to marine insurance.

In the case of the next Tk 15 crore, the company can spend 33 percent of the premium for fire and other insurance and 25 percent of the premium collected under marine insurance.

There are eight such slabs with caps on how much a company can spend on management expenses. If a company spends more than the prescribed limit, they will not be able to settle insurance claims on time, said an IDRA official.

The 18 companies are spending mainly on salaries, extra commission to agents, car purchases, advertising, printing

stationery, motor vehicle maintenance, and payments to non-existent agents, he added.

Currently, there are 46 non-life insurance and 35 life insurance companies in Bangladesh.

After analysing the IDRA data, it was found that Meghna Insurance spent Tk 27.88 crore beyond the limit, the most among the companies.

Mohammad Abu Bakar Siddique, chief executive officer of Meghna Insurance, said management costs had exceeded the limit due to a lack of business.

"The lion's share has been spent on salaries."

Global Insurance was the next worst transgressor, spending Tk 26.63 crore beyond the limit, while Islami Insurance exceeded the ceiling by Tk 16.12 crore.

Mosharraf Hossain, CEO of Global Insurance, said the business environment was no longer the same since the Covid-19 pandemic and other global crises.

"Profits have decreased. We could not make as much profit or do as much business as we had hoped. As a result, the cost has exceeded the limit."

Zahangir Alam, a spokesperson for the IDRA, told The Daily Star that the additional management expenses issues were coming to the fore now because the data from 2022 was finally audited.

He added that companies were claiming management expenses had increased due to a rise in energy prices in the world market, the dollar shortage in the country, and higher inflation.

In addition, the companies said they had to spend extra due to the slowdown in business following the abolition of the motor insurance business, he said.

Insurance was mandatory for all types of vehicles such as motorcycles, cars, buses and trucks, but the government ended the system in 2018, dealing a blow to the insurance business.

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BB relaxes loan write-off policy further

STAR BUSINESS REPORT

The Bangladesh Bank yesterday further relaxed its loan write-off policy as part of its roadmap to "artificially" reduce the higher volume of bad loans in the banking sector.

Banks use write-offs to remove loans from their balance sheets if they think that there are no realistic prospects of recovery.

The written-off loans are then transferred to the off-balance sheet records. This allows banks to show a lower amount of bad loans in their books. However, the liabilities still remain.

Banks are now allowed to write off from their balance sheet the default loans that have been in the bad and loss category for two years, down from three years previously, said the central bank in a new guideline yesterday.

In February 2019, the BB lowered the timeframe to three years from five years.

Non-performing loans (NPLs) in the banking sector stood at Tk 145,633 crore in 2023, which accounted for 9 percent of all outstanding loans, showed BB data.

Under the new guideline, lenders will not have to file any case with the Artha Rin Adalat (Money Loan Court) to write off a delinquent loan of up to Tk 5 lakh, up from a previous Tk 2 lakh.

Banks also can write off bad loans taken by a person, or in the name of his/her sole proprietorship who subsequently passed away, without filing any case.

If no legal action has been taken previously, banks have to file cases under the Money Loan Court Act 2003 before writing off the loans.

Banks have to keep 100 percent provisioning

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8 banks, NBFIs to provide Tk 362cr for a private economic zone

JAGARAN CHAKMA

Eight banks and financial institutions of Bangladesh as well as the World Bank are going to provide a syndicated credit facility of around Tk 430 crore for the development and expansion of Bay Economic Zone Limited (BEZL).

The local lenders will provide Tk 362.6 crore of the fund while the remaining Tk 67.20 crore, or \$6 million, will come from participating financial institutions (PFIs) of the Investment Promotion and Financing Facility II (IPFF-II) of the WB.

The IPFF-II is being funded by the Washington-based lender under a 15-year credit line between the International Development Association and the finance ministry, with the Bangladesh Bank in charge of implementation.

Prime Bank PLC is the lead arranger, PFI and adviser of the credit facility.

Upon successful development of the project, there will be the possibility of generating more than 22,250 jobs in the Bay Economic Zone Limited sub-project area

As such, Prime Bank will assist clients in each step of this milestone transaction, including deal structuring, applying for loans, ensuring due diligence, fund arrangement, and documentation, according to Shams Abdullah Muhaimin, deputy managing director of the private commercial bank.

He said Prime Bank's dedicated debt capital market team had provided end-to-end support and solutions to ensure that the deal for the credit facility is a successful one.

Prime Bank has long partnered with businesses that make significant contributions to the nation's sustainability and infrastructure. Now, it is supporting BEZL.

"This project is no exception as we remain committed to our vision of building the nation through meaningful and sustainable partnerships," he added.

Muhaimin said there are several reasons for Prime Bank's selection as lead arranger and financier of the project, which is expected to bring in foreign direct investment (FDI) and create opportunities for expanding exports and industrialisation.

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Raise tax for high-income earners to 30% CPD says in recommendations for the next national budget

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday proposed increasing the tax on high-income individuals to 30 percent in fiscal year (FY) 2024-25 as the move would likely reduce income inequality in Bangladesh.

The independent think-tank made the suggestion as the country's Gini coefficient, which is a tool for measuring income inequality, hit a record-high of 0.499 in 2022.

The Gini coefficient is calculated based on the distribution of income or wealth among members of a population, with the index ranging from 0 to 1. A Gini index of 0 represents perfect equality while 1 implies perfect inequality.

Data from the Bangladesh Bureau of Statistics showed that the country's Gini coefficient stood at 0.482 in 2016, indicating that income inequality has gradually risen over the years.

Against this backdrop, the CPD said the National Board of Revenue (NBR) should revise up the personal income tax rate from 25 percent to 30 percent.

The CPD included this proposal while placing its recommendations for the next national budget before the NBR at its headquarters in Dhaka.

Other organisations, namely PwC Bangladesh, the Bangladesh Economic Association (BEA), International Business Forum of Bangladesh (IBFB), SME Foundation, SMAC Advisory Services Limited, and Economic Research Group also placed recommendations.

The NBR will now scrutinise tax-related proposals before sending accepted recommendations to parliament for inclusion in the upcoming national budget, which will be announced in June this year.

"The reduction of the highest tax rate goes against the cause of promoting tax justice," the CPD said in a written statement to the NBR.

Muntaseer Kamal, a research fellow of the CPD, said they have been raising the issue of rising income inequality for a long time, suggesting more taxes should be collected from high-income groups.

In addition to higher taxation on the rich, the CPD urged the NBR to provide relief to taxpayers in lower income brackets as another means of decreasing income disparity.

At present, the tax-exempt income limit is Tk 3.5 lakh. However, people with an income of between Tk 3.5 lakh to Tk 4.5 lakh have to pay 5 percent tax.

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RECOMMENDATIONS

Increase income tax rate to 30% for high-income individuals

Raise corporate tax rate to 30% from 27.5% for non-publicly traded companies

Scrap corporate tax for private educational institutions

Raise corporate tax for tobacco products to 50%

Give VAT exemption on tuition fees for academic institutions, including English-medium schools

Future Leader

Towards a new Horizon

Eastern Bank PLC (EBL), a trailblazer in Bangladesh's rapidly expanding financial industry, is best known for its product innovation and service excellence. As we consider our people our greatest strength and biggest brand, we have cultivated an enabling environment that encourages our people to reach their full potential. Our Future Leader Program is transformative and impactful. Here at EBL, we never "offer you a job" we "shape your career".

Your Eligibility

We are looking for motivated graduates who have a minimum CGPA of 3.00 out of 4.00.

Your Approach and Skillset

We are looking for candidates who exhibit their potential, capabilities and aim to be the finest resource in the banking sector. Applicants must possess strong analytical and problem-solving abilities, positive mindset, interpersonal and excellent communication skills.

Your Reward

We offer a fantastic career development opportunities, outstanding rewards, and a world-class work environment. After successful completion of extensive learning and development program, future leaders will be absorbed as **Senior Officer/Principal Officer** (depending on performance during selection process).

Your Commitment

Future Leaders will be required to sign a surety bond to serve EBL for a period of minimum 03 (three) years.

How to Apply

Interested candidates are requested to visit www.ebl.com.bd/career and apply on or before February 29, 2024.

Candidates will be treated strictly on merit and performance during selection process. Only shortlisted candidates will be communicated and any sort of persuasion will result in disqualification.

EBL reserves the right to accept or reject any application without assigning any reason whatsoever.