

# Star BUSINESS

The percentage of individuals aged over 15 who own a mobile phone was lower in 2023 than in 2020

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## BB sets loan recovery target for aspiring non-bank MDs

STAR BUSINESS REPORT

Bangladesh Bank yesterday issued a detailed guideline, including default loan recovery targets, alongside criteria over the appointment, reappointment and responsibilities of managing directors and chief executive officers of non-bank financial institutions (NBFIs).

A month ago, the banking regulator had issued similar criteria for MDs and CEOs of banks, all to ensure good governance and reduce bad debts.

A total of 12 NBFIs in Bangladesh are running without an MD or CEO and a majority of them have had their top post vacant for more than three months in a clear breach of laws.

Apart from the absence of top executives, the sector is reeling from scams, irregularities, a liquidity crunch and the presence of a huge amount of non-performing loans.

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

The latest amount of bad loans accounted for 29.75 percent of the total outstanding loans of NBFIs at the end of September 2023.

This is one reason why the guideline states that for appointment or reappointment of CEOs, NBFIs need to set specific targets for the recovery of defaulted and written-off loans and monitor the progress from time to time.

### For appointment or reappointment of CEOs, NBFIs need to set specific targets for the recovery of defaulted and written-off loans

The inclusion of the targets will help bring down the bad loans in the sector, a senior official of the central bank told The Daily Star.

Moreover, potential candidates must not have any business interest in the bank and cannot be involved with any association or institution of any director of the NBFI.

If the candidate has citizenship of any country other than that of Bangladesh or is in the process of applying for permanent or long-term residency in another country, their detailed information has to be submitted with the central bank.

The candidate has to inform the BB of any need for travelling frequently for personal and family related reasons.

When travelling abroad, they need to avail approval from the BB at least ten working days in advance and have to avoid staying abroad for too long, it said.

Though there is no minimum age limit, the maximum age is 65 years. Moreover, at least 20 years' experience in banking profession is needed.

The central bank will approve the appointment or reappointment of the CEOs nominated by the NBFIs based on the recommendations of a committee led by a deputy governor of the banking regulator.

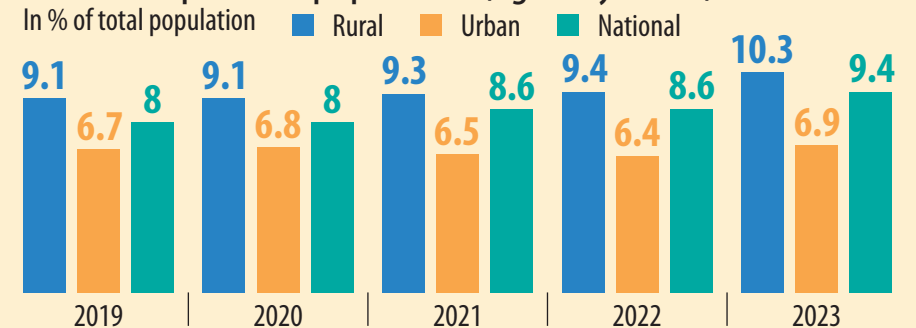
## Ageing in Bangladesh: Are we ready for more social spending?



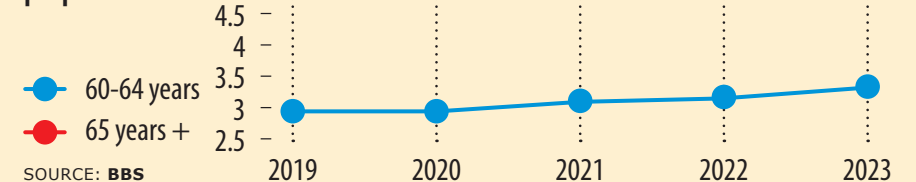
Abdul Berek has lost most of his teeth but it matters little for his 75-year-old wife, Shamsunnahar Begum, who continues to lovingly turn his favourite betel leaves into paste so that he can enjoy it at his age of 88 years. The photo was taken at Kandargati village in Jhalakathi recently.

PHOTO: TITU DAS

### Ratio of dependant population (age 65 years+)



### Percentage of aged population



SOURCE: BBS

SOURCE: BBS

MD ASADUZ ZAMAN and SOHEL PARVEZ

Bangladesh has seen a spike in the number of elderly people over the years, government data shows, raising questions about whether the country will be able to reap the demographic dividend up to the expected level and the associated economic benefits.

The rising share of the population aged over 65 has economic, social and health consequences and also brings up the question about whether the low middle-income country is prepared to give them a decent life.

The proportion of the population aged 65 and above was 6.14 percent last year, up from 5.67 percent a year before, according to the key findings from the Sample Vital Registration System 2023 of the Bangladesh Bureau of Statistics (BBS).

The dependency ratio of the people who are over 65 plus years rose to 9.4 percent in 2023 from 8.6 percent in 2022.

The dependency ratio is a measure of the age structure of a population and also relates to the number of individuals likely to be economically "dependant" on the support of others.

"This result tells us to take preparation

promptly and gives messages to the government about the types of policies and investments that have to be initiated," said Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

To address the problem, the country should focus on quality education, enhancing technology adoption capacity, and raising productivity.

"As days go by, the demographic dividend's windows are shrinking," the economist said.

Rahman urged the government to support the elderly people. "We have to increase the assistance for them through social safety nets."

In 2019, the government unveiled the National Social Security Strategy.

"We need to start implementing the strategy now."

In a major move, the government has introduced universal pension scheme as part of the social safety net strategy.

"The pension scheme will be effective for us," Prof Rahman said.

Mohammad Mainul Islam, a professor of the population sciences department at the University of Dhaka, sees three challenges that may stem from an aging

population.

One of them is whether the country would be able to make the most of the demographic dividend that a young population offers.

As the population ages, ensuring a steady healthy growth of the economy and ensuring public health services for them would face major obstacles, he said.

By 2050, people aged 60 and above in Bangladesh will number 3.6 crore and constitute 22 percent of the total population, said the United Nations Population Fund (UNFPA) in 2022.

This is consistent with global trends. According to the World Health Organization, by 2030, one in six people in the world will be aged 60 years or over.

Prof Islam says Bangladesh will become an ageing society by 2029 and will stand as an aged society by 2047 like Japan.

He explains that when a country's senior dependants account for 7 percent or more of the population, it is called an aging society. If the rate goes past 14 percent, the nation is termed as an aged society.

In the long run, the share of the population group aged more than 65 years will increase as life expectancy is on

the rise.

This means the government would have to devise ways to keep this cohort involved with the labour market.

"We will have to think about the health and social welfare system and plan beforehand," Prof Islam said.

The spike in the elderly population comes as pressure on government budget persists because the country has one of the lowest tax-to-GDP ratios in the world. This has forced it to allocate a lower-than-expected amount of funds for social safety nets.

The social safety net budget for this fiscal year has been raised 11 percent from Tk 1.13 lakh crore to Tk 1.26 lakh crore. The allocation is 16.58 percent of the budget and 2.52 percent of the gross domestic product.

Currently, the monthly allowance for the elderly is Tk 600, with the number of beneficiaries standing at 58.01 lakh. This means about half of the people belonging to this group are under some form of state support.

The number of the elderly people rose 6.14 percent to more than 1.04 crore in 2023, according to the BBS.

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## Conventional banks can avail BB's Islamic liquidity support

STAR BUSINESS REPORT

Conventional banks' Islamic banking branches and windows from now will be able to avail short-term loans under an "Islamic Bank Liquidity Facility" (IBLF) of Bangladesh Bank, something previously offered to solely Shariah-based banks.

The central bank yesterday revised guidelines and operating procedures, saying that conventional banks maintaining current or Al-Wadiah accounts with Bangladesh Bank are eligible for the IBLF.

Previously only Shariah-based banks were allowed to avail the IBLF against Bangladesh Government Investment Sukuk (BGIS) bonds as securities.

The revised guidelines said the tenures of the liquidity facility would be 7 days, 14 days and 28 days whereas previously it was only 14 days.

The profit rate will be the one-month Mudaraba Term Deposit Receipt

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## Pharmaceutical sector on steady path to recovery

JAGARAN CHAKMA

The pharmaceutical sector is eyeing a recovery from the difficulties brought on by the Covid-19 pandemic and Russia-Ukraine war as the opening of letters of credit (LCs) for raw materials imports is gaining pace, according to industry insiders.

The opening of LCs to import raw materials for the pharmaceutical sector increased by 14 percent to \$636.26 million year-on-year during the July-January period of the current fiscal year, Bangladesh Bank data shows.

According to industry people, the dollar crisis in the country is gradually easing and the global supply chain is getting smoother, positively impacting the pharmaceutical sector.

"Opening of LCs for raw materials is increasing as the dollar crisis is lessening day by day," said Md Mahbul Karim, executive director (supply chain management) at Incepta Pharmaceuticals Ltd.

According to him, the sector suffered a lot as the Russia-Ukraine war and dollar crisis disrupted the supply chain immensely.

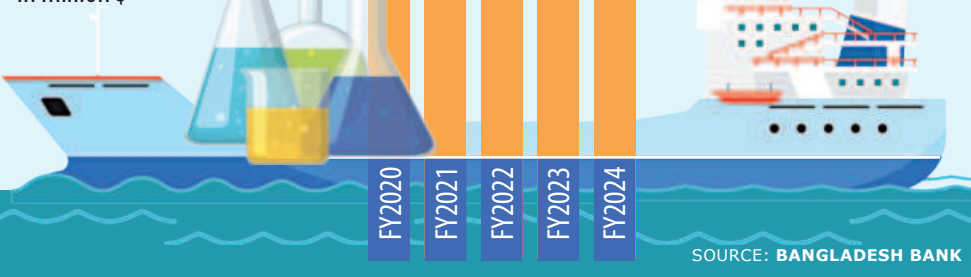
"We could not even keep up with the lead times due to disruptions in the raw materials supply chain," he said.

He added that they had endured a tough time opening LCs despite managing 100 percent margin, but added that the current situation was much better.

He also alleged that pharmaceutical manufacturers would open LCs at the government rate but were later asked to settle them at higher rates.

### LC opening for import of pharma raw materials

July-January period; In million \$



SOURCE: BANGLADESH BANK

He further said that the management teams of pharmaceutical companies had shown their efficiency during the difficult times. As a result, the sector tackled the crisis and there was no deficit of medicine.

"No visible impact was felt in the export of pharmaceutical products either," he claimed.

Pharmaceutical exports fetched \$134.15 million during the July-February period of this fiscal year, a 13 percent increase compared to the same period in the last fiscal year.

Monjurul Alam, chief executive officer at Beacom Medicare Limited, a concern of

Beacom Pharmaceuticals PLC, said opening LCs had become easier as the dollar crisis was gradually easing. Consequently, more LCs were being opened.

The situation will improve further in the second half of the year, he said.

"We were really worried about whether we could overcome the crisis or not," Alam said, adding that the sector was saved from a collapse by virtue of good management and government cooperation.

According to him, there was greater availability of the greenback in the second

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## Stocks suffer sharp fall

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Stock indices in Bangladesh suffered a sharp fall yesterday, extending the loss to the second day as most traders opted to sell.

The DSEX, the benchmark index of the Dhaka Stock Exchange, shed 66.73 points, 1.13 percent, to close the day at 5,834.

The DSES, the index that represents Shariah-compliant firms, dropped 17.85 points, or 1.38 percent, to 1,267. Similarly, the DS30, which comprises blue-chip stocks, gave up 26.12 points, or 1.27 percent, to 2,024.

A broker attributed the decline to a thin presence of buyers.

The indices declined because many large capital-based stocks fell due to the sales pressure from foreign investors, who have stepped up selling after failing to do so for nearly 18 months to January this year owing to the floor price.

Although the foreign sale pressure was not huge, the buying interest from institutional investors was insignificant either. As a result, the indices dropped, he added.

LafargeHolcim Bangladesh, a multinational cement manufacturer, alone dragged the benchmark index down by 11 points. Drug maker Renata PLC was responsible for a loss of seven points, according to LankaBangla Securities.

LafargeHolcim Bangladesh was the worst-performing stock of the day, losing 7.96 percent. Usmania Glass Sheet Factory, Orion Infusion, Tung Hai Knitting & Dyeing, and Anilmayarn Dyeing were also on the losers' list.

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