

Star

BUSINESS

Bangladesh is doing better than many countries in reducing poverty. But questions remain whether the data about poverty alleviation matches reality, says an expert

Story on B4



State banks struggle while foreign lenders make hefty profit. Here's why

AHSAN HABIB

While foreign multinational banks operating in Bangladesh are making hefty profits year after year, the state-run lenders are struggling with low profits despite their huge customer base and vast network across the country.

In 2023, Standard Chartered Bangladesh and HSBC Bangladesh's combined profits stood at Tk 3,334 crore whereas four state-run banks -- Sonali, Janata, Agrani, and Rupali -- saw a combined profit of Tk 974 crore.

Although the two multinational banks operate just 25 branches, mainly in Dhaka, they logged more than thrice the profits posted by the state-run banks, which have a network across the country thanks to 3,720 branches in total.



The suffering of the state-run banks does not end there.

Until recently, the government had to recapitalise the four banks several times in order to keep them alive. In the 17 years to May 2019, it injected Tk 20,584 crore of the taxpayers' money into the state-run banks -- without any tangible improvement in their governance and lending practices to show for it.

Why is there such a huge discrepancy between multinational banks and state-run lenders despite operating in the same business environment? The reason is a lack of efficiency in making business decisions, business focus, and political bias.

While foreign banks are significantly invested in consumer loans and the working capital segment, which are short-term in nature, state-run banks mainly provide term loans, which offer multiple years in the repayment period.

Besides, interest rates for consumer loans are higher compared to term loans, so foreign banks get a lot of mileage for their products. Likewise, consumer loans are less likely to turn sour than term loans.

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No headway in curbing banks' bad assets

Plan to form asset management company in limbo

KEY POINTS

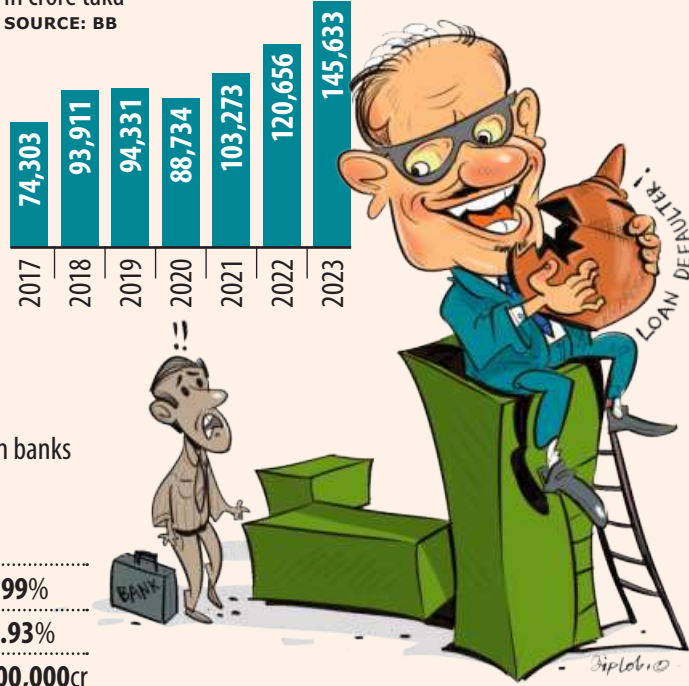
- ▶ Govt prepared draft Bangladesh Asset Management Corporation Act-2020
- ▶ The initiative faced criticism of economists and IMF
- ▶ Some within the govt want AMC to be led by private sector
- ▶ BB now assessing various options for forming AMC

BAD LOANS IN BANKS

- ▶ Govt will have to bring down bad loans in banks within 2026 as per IMF prescription
 - State banks: **10%**
 - Private banks: **5%**
- ▶ Bad loans' ratio at state banks now is **20.99%**
- ▶ Bad loans' ratio at private banks now is **5.93%**
- ▶ Distressed assets in banks now over Tk **300,000cr**

BAD LOANS IN BANKING SECTOR

In crore taka
SOURCE: BB



MD MEHEDI HASAN

The formation of an asset management company to reduce bad assets has been in limbo for about four years as the government is yet to decide whether it will be owned by the state or the private sector.

In 2020, the government disclosed the idea of setting up a state-run corporation to buy and trade distressed assets as part of its efforts to help banks clean out their bad loan problems. The Financial Institutions Division (FID) of the finance ministry drafted the Bangladesh Asset Management Corporation Act 2020 (Bamco) to this effect.

The FID has later backtracked following criticism from different quarters, including the International Monetary Fund (IMF), about the formation of a public corporation since state enterprises have usually underperformed in the country.

Experts argue that it will not be wise to use taxpayer money to purchase distressed assets, which have surged to an unprecedented level, hurting the financial sector, in particular, and the economy in general.

Some within the government want the asset management company to be formed by the private sector and some back the idea of keeping it under the control of the state, creating uncertainty, according to several officials of the FID and the Bangladesh Bank who are directly involved with the process.

A senior official of the central bank said the BB has again started the primary work on whether the asset management company can be formed by the private sector.

"We are now studying it and examining the experience of other countries."

He said some countries have witnessed positive results by forming state-run asset management companies while some experienced better results by keeping them under private ownership.

"Therefore, we are yet to reach any conclusion whether the company will be formed by the government or the private sector."

The issue of establishing the asset management company has surfaced again because

the government will have to reduce the bad loans of state-run banks to 10 percent and private commercial banks to 5 percent by 2026 in line with the prescriptions of the International Monetary Fund (IMF) as part of its \$4.7 billion loan programme.

At the end of December, bad loans in the banking sector stood at Tk 1,45,633 crore, which accounted for 9 percent of the funds disbursed, BB data showed.

Bad loans held by state banks totalled Tk 65,781 crore, making up 20.99 percent of their outstanding credits. Defaulted loans of private banks were Tk 70,981 crore, which was 5.93 percent of their outstanding loans.

The distressed assets in the entire banking sector stood at Tk 3,75,000 crore last year. These include defaulted loans, rescheduled loans, written-off loans, and the credits that were regularised following court orders.

Last month, the central bank, in its guideline for the merger and amalgamation of banks and

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Saif Powertec not publishing financial reports for 18 months

AHSAN HABIB

Saif Powertec has not published quarterly and yearly financial reports over the past one and a half years, which is a breach of listing regulations.

The provider of infrastructure support services did not issue a financial report for fiscal year 2022-23 or a quarterly report for the third quarter of the same year. It also failed to release reports for the two quarters of the subsequent year, meaning FY2023-24.

As a result, general investors remained in the dark about the financial performance of the company during this period.

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In the meantime, some large investors have started manipulating the price of the stock by trading it among themselves, causing its value to soar over the past week, according to market analysts.

On Thursday, the stock topped the gainers' list, surging 9.91 percent from that on the preceding day to Tk 25.50 at the Dhaka Stock Exchange (DSE).

An investor, Motahar Hossain Masum, said he had bought stocks of the company for Tk 29 each around two years ago, hoping for a good return.

But the price went down and has gone up only over the past week, he said.

Furthermore, the company did not provide any dividend for the last fiscal year.

Now, Masum is concerned about whether the company is sinking into losses.

"I don't know whether the company has shut down or is still operational as the company is not providing any disclosures. So, I am completely in the dark right now," he added.

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STOCKS		WEEK-ON-WEEK
DSEX ▲	CASPI ▲	
0.81%	1.12%	
5,615.65	16,231.86	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▼	
\$2,360.48	\$78.19	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.36%	▲ 0.41%	▲ 0.76%	▲ 0.07%	
72,664.47	38,229.11	3,290.7	3,154.55	

Private sector's short-term foreign debt drops

AM JAHID

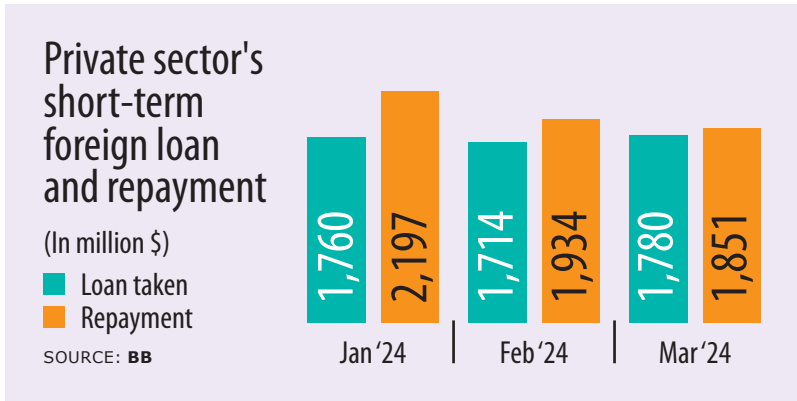
The private sector's short-term foreign debt has gradually declined over the past three months up until March this year as a high rate of interest is discouraging borrowers from taking such loans from abroad.

The debt stood at \$11.04 billion in March, \$11.07 billion in February and \$11.25 billion in January, according to Bangladesh Bank.

Central bank data shows that the monthly average of debt in this sector has been declining gradually since December 2022 as the interest rate of loans from foreign sources had been higher than that of domestic sources.

This sector's highest amount of debt was \$16.41 billion in 2022. Then, the amount of debt started to reduce gradually and stood at \$11.79 billion in 2023, according to the central bank data.

The reason behind the reduction of short-term foreign debt in the



private sector is high interest rate, said an official of Bangladesh Bank.

The official said the interest rate of short-term foreign debt was only 1 percent prior to 2022.

But it has jumped to 8 percent to 9 percent now. This is why private sector borrowers are feeling discouraged in terms of taking loans from abroad, he said.

Meanwhile, the interest rate

in Bangladesh was 7 percent to 8 percent until June last year since the central bank maintained a 9 percent lending rate ceiling before it was scrapped in July, according to the official.

The lending rate has since increased to 10 percent to 11 percent amid a lingering liquidity crunch.

According to BB data, the private

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Relocation of Principal Branch

Now at
CSD Tower (Ground & 1st Floor)
98, Shaheed Sarani
Dhaka Cantonment, Dhaka

Trust Bank
A Bank for Financial Inclusion
www.tblbd.com TrustBankLtdBD

16201

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (বিএসইসি) অনুমোদিত
BEXIMCO বন্ড
বেঙ্ক্রিমকো ফার্স্ট আবাসিক উইথ জিরো কুপন বন্ড

১৬%
মুদাফায়
সর্বোচ্চ হারে, সবার উপরে
প্রতি মাসে ১২৫০ টাকা প্রতি লাখে

- ১ লাখ টাকা বিনিয়োগ করলে প্রতি মাসে পাবেন নিট ১,২৫০ টাকা এবং ৫ বছর শেষে ১ লাখ টাকা। এভাবে মেয়াদপূর্তিতে মূল টাকা-সহ ফেরত পাবেন সর্বমোট ১,৭৫,০০০ টাকা
- মাস শেষে টাকা সরাসরি একাউন্টে জমা হবে
- সর্বনিম্ন বিনিয়োগসীমা ৫০,০০০ টাকা এবং বিনিয়োগের কোনো উর্ধ্বসীমা নেই

▶ শ্রবাসী বাংলাদেশীদের জন্য বিনিয়োগের অন্যতম গ্রেট উপায়

১৫০০ কোটি টাকার সম্পূর্ণ নির্ভরযোগ্য জিরো কুপন বন্ড
আগে এলে আগে পাবেন ভিত্তিতে কেনার সীমিত সুযোগ

বিস্তারিত জানতে
কল করুন **১৬৯০০**
অথবা কিউআর কোডটি স্ক্যান করুন

