

# Star BUSINESS

## State banks nowhere near target to retrieve funds from top defaulters

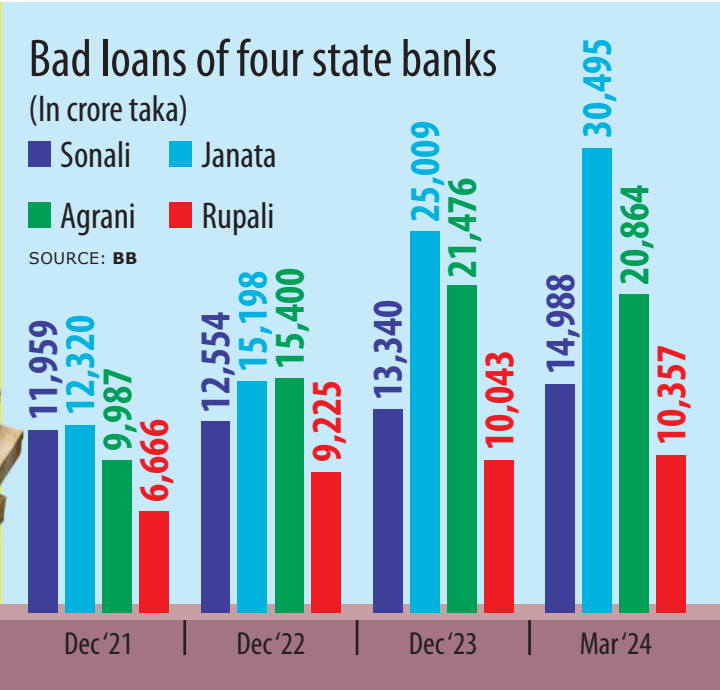
AT A GLANCE

Four state-run banks' total capital shortfall stood at Tk **40,171 cr** in December last year

They failed to bring down bad loans within the target of **10%** last year

The banks saw lacklustre loan recovery from top defaulters

A large portion of their loans is concentrated in five branches



**MD MEHEDI HASAN**

Four state-run banks in Bangladesh are finding it difficult to recoup loans from their top 20 defaulters, a failure that has worsened their financial health and squeezed their capacity further to lend.

Sonali, Janata, Agrani and Rupali repeatedly hit the loan recovery target set by the central bank as per its memorandum of understanding (MoU) with the four largest banks of the country by branches.

It came although the government is under pressure to reduce the bad loans of state-run banks to 10 percent by 2026 as per prescriptions of the International Monetary Fund as part of its \$4.7 billion loan programme.

Bad loans held by the six state-owned banks, which also include Bangladesh Development Bank Ltd and BASIC Bank, totalled Tk 65,781 crore in December, making up 20.99 percent of their outstanding credits.

Last year, Sonali Bank was asked to recoup Tk 300 crore from the top defaulters, data from the Bangladesh Bank showed. The lender managed to recover only 12 percent of the amount fixed. It was, however, an improvement from the 4 percent posted in 2022.

The bank's bad loans amounted to Tk 13,340 crore in December. Of the sum, more than Tk 4,000 crore was held by the top 20 defaulters.

T & Brothers, Hallmark Group, Modern Steel Mills, Fairtrade International, Ratanpur Steel Re-Rolling Mills, and Sonali Jute Mills are the largest delinquent borrowers.

Among them, Hallmark's loan hit hard the largest lender of Bangladesh by branches.

The bank's Ruposhi Bangla Hotel branch lent Hallmark Group and five other companies Tk 3,547 crore between 2010 and 2012 on forged documents. The businesses embezzled the entire amount in collusion with some bank officials.

Officials said that despite repeated attempts, the bank has not been able to make significant gains in reclaiming funds from the major defaulters.

Speaking to The Daily Star, Md Afzal Karim, managing director of Sonali Bank, said legal proceedings are underway to recover funds from Hallmark.

"We have come a long way under the

process," he said, adding that several properties of Hallmark Group will come under the bank's control this year.

Janata Bank was given a target to raise Tk 870 crore from the top defaulters last year. It was able to recover only 5 percent of the target, down from 11 percent in 2022.

In December, AnonTex Group, S Alam Group, Crescent Group, Ranka Group, Ratanpur Group, Rimex Footwear, Chowdhury Group, Thermax Group, and Sikder Group were on the list of top 20 defaulters of Janata Bank.

However, Thermax and Sikder Group's bad loans were shown as unclassified in the classified loan statement since a writ has been filed with the High Court.

AnonTex has the highest amount of bad loans at Tk 7,708 crore with Janata Bank. The garment manufacturer is largely responsible for the ailing situation of the lender.

In 2022, Janata Bank decided to waive an interest of Tk 3,359 crore of AnonTex on the condition of a one-off loan repayment. The waiver was cancelled later.

Officials of Janata Bank said AnonTex is going to get an opportunity to repay the loans by selling collateralised properties.

At Tk 25,009 crore, Janata Bank had the highest volume of default loans

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## 3.64 lakh insurance policies discontinued in January-March

**SUKANTA HALDER**

Some 3.64 lakh policies of 36 life insurance companies of Bangladesh lapsed in the first quarter of 2024 due to a myriad of factors, including the worsening financial health of clients and agents' tendency not to disclose key information while making sales.

In January-March, Sonali Life Insurance Company saw 67,555 of its policies lapse, the highest, while Delta Life Insurance came second on the list with 57,981, figures from the Insurance Development and Regulatory Authority (IDRA) showed.

A policy lapse occurs when policyholders fail to pay their premiums on time, leading to the cancellation of insurance coverage.

National Life Insurance ranked third, witnessing 31,667 policy lapses, IDRA data showed.

The Daily Star tried to contact SM Ferdous, administrator of Sonali Life, but he did not respond.

Ferdous was appointed administrator after an audit found that former chairman Mostafa Golam Quddus and six of his family members, who served as directors of the company, had embezzled at least Tk 187.84 crore from the insurer.

Anwarul Haque, chief executive officer of Delta Life Insurance, said it had 13.43 lakh policies in the first quarter of this year, of which about 58,000 policies were discontinued.

"The higher the number of policies of the company, the higher the number of discontinuations. This is normal," he claimed.

He added that there is a section of customers who do not pay premiums unless pushed. Agents are responsible for pushing them. If customers still fail to pay, the policy lapses.

He also explained that the commission agents receive at the end of the first year of a policy is less than what they get in the second year. As a consequence, they are more interested in selling new policies rather than renewing existing ones.

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## DSE turnover crosses Tk 1,000cr after two months

Prime index gains for sixth consecutive day

**STAR BUSINESS REPORT**

Turnover at the Dhaka Stock Exchange (DSE) crossed the Tk 1,000-crore mark yesterday after two months as the shares extended a rally for the sixth consecutive day riding on gains of blue-chip stocks.

Blue-chip stocks such as Kohinoor Chemicals, BBS Cables, Best Holdings, Taufika Foods and Lovello Ice-cream, GPH Ispat, Fortune Shoes, along with Square Pharmaceuticals, Robi Axiata, Al-Arafah Islami Bank and City Bank fared well.

On the other hand, BAT Bangladesh, Gramcenphone, Beacon Pharmaceuticals, Unilever Consumer Care, Pubali Bank, National Bank, Eastern Bank, and Shahjalal Islami Bank among large-cap companies displayed poor performance.

Turnover, which indicates the volume of the shares traded during the session, surged 14.69 percent to Tk 1,019 crore yesterday compared to the previous day.

The broad index of the country's prime bourse, the DSEX, rose 30.01 points, or 0.54 percent, to close the day at 5,594.64.

Similarly, the DSEI, the index that represents the shariah-compliant companies, edged up 8.18 points, or 0.67 percent, to 1,223.32 while the DS30, the index that composed of the best blue-chip firms, went up 4.63 points, or 0.24 percent, to 1,964.53.

Out of the 393 issues that changed hands on the DSE, 237 closed higher, 111 declined and 45 did not see any price movement.

Large-cap sectors posted mixed performance with fuel and power booking the highest gain of 0.77 percent, according to the daily market update by BRAC EPB Stock Brokerage.

### UPS AND DOWNS OF DSEX IN POINTS

SOURCE: DSE

Jun 23	5,247
Jun 24	5,220
Jun 25	5,241
Jun 26	5,302
Jun 27	5,355
Jun 30	5,328
Jul 2	5,340
Jul 3	5,373
Jul 4	5,497
Jul 7	5,558
Jul 8	5,564
Jul 9	5,594

### STATUS OF STOCKS

Advanced 12%, Declined 28%, Unchanged 60%

Index movers	Rise in points
Square Pharma	2.91
Best Holdings	2.37
Kohinoor Chemicals	2.12
BBS Cables	1.78
Robi Axiata	1.45

Engineering sector logged a gain of 0.74 percent followed by pharmaceuticals with 0.31 percent.

Bank posted a loss of 0.14 percent, followed by telecom, non-bank financial institutions, and food & allied 0.41 percent, 0.44 percent and 0.75 percent respectively.

Block trades contributed 5.3 percent of the daily overall market's turnover.

Sea Pearl Beach Resort & Spa was the most traded share with a turnover of Tk 53.6 crore.

In its daily market update, UCB Stock Brokerage said the market closed on a positive note with an increase in turnover.

Sector-wise, ceramics, services and real estate and information technology were the top three sectors to close in the positive territory while food and allied, life insurance and NBFI sectors closed in the red.

The pharmaceuticals sector dominated the turnover chart covering 14.37 percent of the day's turnover.

Salvo Chemical Industry topped the gainers' chart with a rise of 10 percent.

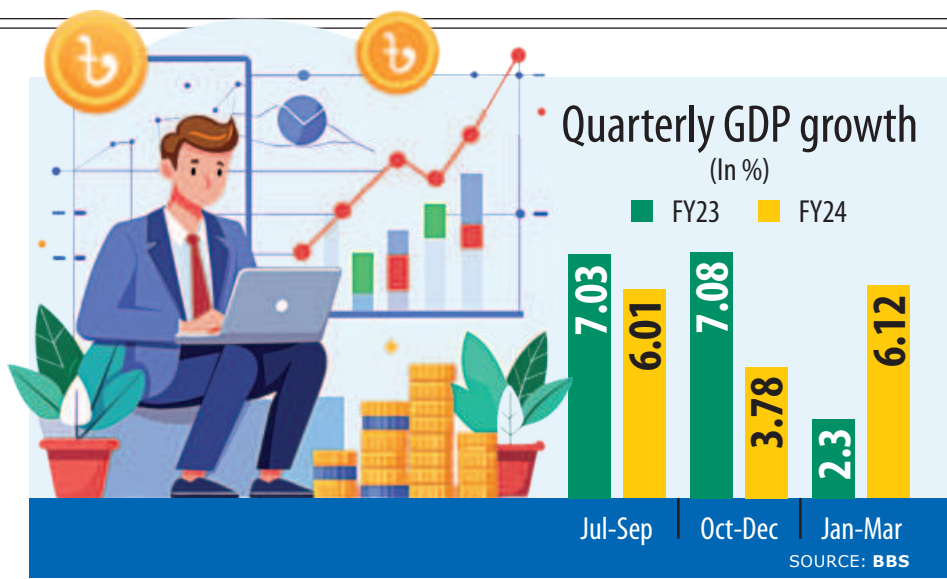
Kattali Textile, Beach Hatchery, HR Textile and Deshbandhu Polymer all made gains of more than 9 percent.

The Peninsula Chittagong, BBS

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The government has formulated the draft National AI policy to make the best use of AI to spur economic growth.

Story on B4



## GDP growth tops 6% in third quarter

**MD ASADUZ ZAMAN**

Bangladesh's economy bounced back by posting significantly higher growth in the third quarter of fiscal year 2023-24 compared to the same quarter in the previous year, underlining good progress in the production of industrial goods and agricultural commodities.

The country registered 6.12 percent growth in the gross domestic product (GDP) in the January-March period in FY24, a considerable increase from 2.3 percent in the same period of FY23, according to provisional data released by the Bangladesh Bureau of Statistics (BBS).

In the October-December quarter of FY24, GDP growth stood at 3.78 percent.

The BBS also projected that Bangladesh's economy would grow by 5.82 percent in FY24.

"This spike in growth in the third quarter was expected," said Ashikur Rahman, principal economist at the Policy Research Institute of Bangladesh.

This is a reflection of the political stability after the general elections in January this year, he said.

In the second quarter of FY24, the political situation was in a vulnerable spot. So, businesses shied away from investment while public investment was also stagnant.

But in the third quarter, public and private investments found renewed impetus.

Echoing those sentiments, Binayak Sen, director general of the Bangladesh Institute of Development Studies, outlined three additional factors that had contributed to growth – better Boro production and higher remittance and export earnings.

"The Boro paddy output was better than the Aman season and it has met the shortage of Aman production," said Sen.

Additionally, a handsome amount of remittance was received ahead of Ramadan and Eid-ul-Fitr, he added.

"Compared to the previous quarter, the trend was better in the third quarter, which

might have helped boost growth. But we cannot definitively say that it jumped to 6.12 percent from 3.78 percent," he said.

The BBS can give the right explanation, he said.

The industrial sector, which accounts for around 33 percent of the GDP, grew by about 7.03 percent in the January-March quarter of FY24 compared to 4.98 percent in the same period a year prior.

Besides, the services sector, which encompasses trade, transport, hotel, IT, and financial activities, drove the overall growth of the GDP.

**"The GDP growth figures have been suspect for quite some time," Debapriya Bhattacharya said.**

The growth in the services sector, which accounts for 53 percent of GDP, increased from 1.47 percent to 4.97 percent in the same period.

Similarly, growth in the agriculture sector increased from 1.88 percent to 5.46 percent.

However, noted economist Debapriya Bhattacharya said that data discrepancies may have also contributed to 'suspect' figures in the BBS' quarterly GDP growth data.

A stark discrepancy in data was highlighted recently when the Bangladesh

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## BB issues external auditor rules for banks

**STAR BUSINESS REPORT**

The Bangladesh Bank has issued the "Bank Company External Auditor Rules 2024" to determine the terms and conditions for the selection of external auditors and outline the areas of financial audits of scheduled banks for the first time.

As per the rules, the external auditor will audit at least 80 percent of the total risk-based assets of a concerned bank, prioritising the highest risk-based branches along with the headquarters of the scheduled banks.

Risk-based assets are a risk management measure, indicating to banks the number of assets they need to hold in relation to their risk.

The central bank issued a circular yesterday to this end.

As per the circular, the new rules will be effective from the audit year 2025-26 for banks whose financial year starts in July.

The rules were formulated in light of Section 120 of the Bank Company Act, 1991, the central bank said.

The primary purpose of the rules is to determine the terms and conditions for the selection of professional and efficient external auditors for financial audits in banks.

The rules will also define the scope of external audits, ensure proper reflection of the bank's financial condition in financial reports, and ensure the quality of external audit services.

The rules will be applicable to all scheduled banks.

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