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NBFIs' bad loans surge to record Tk 26,163cr

MD MEHEDI HASAN

Defaulted loans at the country's non-bank financial institutions (NBFIs) reached a record 36 percent of all loans disbursed by them as of September 2024, a level that sector people described as a reflection of "massive irregularities and scams" seven to eight years ago.

As of September 2024, the 35 NBFIs held Tk 26,163.19 crore in bad loans, which amounted to 35.52 percent of their total disbursed loans of Tk 73,662.77 crore, according to Bangladesh

Those non-bank commercial lenders are: People's Leasing, International Leasing, FAS Finance and Bangladesh Industrial Finance Company Limited (BIFC).

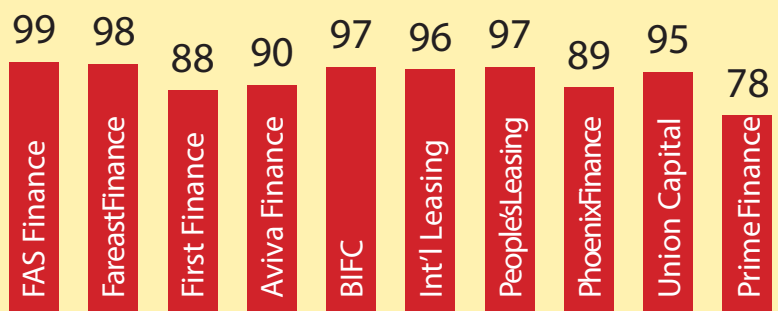
Consequently, these four NBFIs became ailing institutions with more than 90 percent of their loans turning bad.

Industry insiders said that the central bank bears responsibility for the current state of the NBFIs sector due to inadequate supervision.

Non-performing loans (NPLs) at the NBFIs sector stood at Tk

NBFIs with high NPL ratio

In % of total loans; SOURCE: BB



Bank (BB) data.

These bad loans in the sector are the "legacy of the massive irregularities and scams that took place seven to eight years ago", said industry insiders.

Referring to a BB probe report, they said former managing director of NRB Global Bank (later renamed Global Islami Bank) PK Halder swindled at least Tk 3,500 crore from four NBFIs.

21,658 crore, or 29.75 percent of their disbursed loans, at the end of September 2023. It rose by 21 percent, or Tk 4,505.04 crore, to Tk 26,163.19 crore by September 2024, BB data shows.

"The majority of the defaulted loans are legacy loans, which were disbursed without adequate security," said Kanti Kumar Saha, chief executive officer of Alliance Finance.

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Inflation eased slightly in Dec but still above 10%

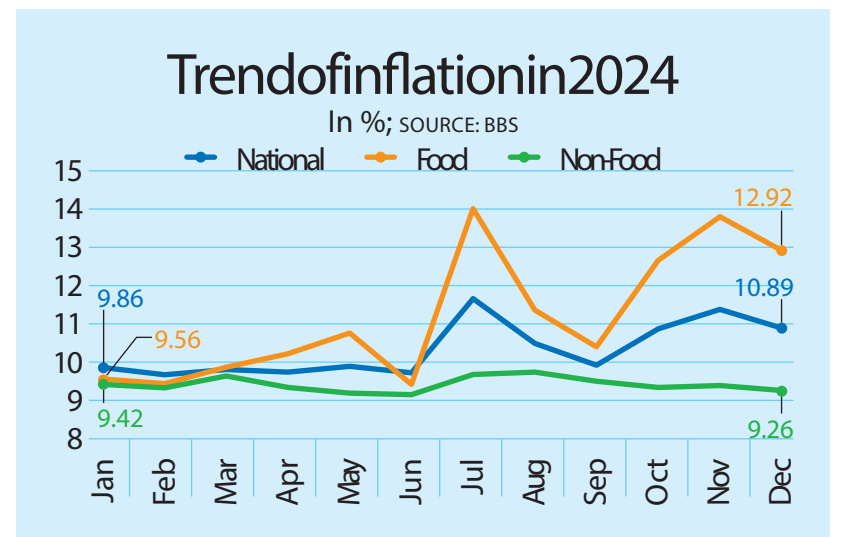
MD ASADUZ ZAMAN

Bangladesh concluded another year starting at prices of essential items taking a wild ride, the central bank scrambling to further tighten the money supply and penny-pinching among limited income people.

In December 2024, inflation eased slightly to 10.89 percent from 11.38 percent the month prior, but remained above the 10 percent threshold for the second consecutive month, according to the Bangladesh Bureau of Statistics (BBS).

This left the annual average inflation for 2024 at 10.32 percent.

The year began with inflation at 9.86 percent in January, reaching the double-digit mark in July and remaining above 10 percent for almost the remainder of the year.



Last year's inflationary trend resembles the price increases observed in 2023, when inflation exceeded 9 percent in March and continued to strain household budgets throughout the year.

The consumer price index (CPI), which measures price fluctuations in a basket of goods and services, declined to 10.89 percent

in December from 11.38 percent the previous month, shows data of the national statistical agency.

Economists and policy analysts credited the arrival of winter vegetables and tariff cuts on essential commodities for the decline.

In December, food inflation decreased to 12.92 percent from 13.80 percent in November.

Non-food inflation also edged down to 9.26 percent in December from 9.39 percent the month prior.

To curb inflationary pressures, the Bangladesh Bank raised the policy rate -- the interest rate at which

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RMG exports grew moderately in 2024 despite headwinds



PHOTO: STAR/FILE

Garment exports rose 7.23 percent year-on-year to \$38.48 billion in 2024.

REFAYET ULLAH MIRDHA

In spite of turbulent times prevailing both at home and abroad, garment exports from Bangladesh grew by 7.23 percent year-on-year to \$38.48 billion in 2024, according to the Export Promotion Bureau (EPB).

This is due to an increasing demand for clothing with the fall of inflation in major export destinations.

Last year, the local garment sector witnessed demonstrations, national election-related movements, factory closures and production halts amid massive labour unrest after the fall of the Sheikh Hasina-led administration on August 5.

Goods shipment was severely affected in July, August, September

and October due to a student-led mass movement culminating in Awami League's ouster and widespread labour unrest demanding wage hikes and an end to workplace discrimination.

On the international front, high inflation has persisted over the past few years because of far-reaching implications of the Russia-Ukraine war that began just after the pandemic, affecting consumer demand.

But Western economies have been rebounding gradually with rising demand, for which retail sales have also been growing with the clearance of inventories of previous years in Europe and the US.

Exports from the sector grew although many had thought that

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Metro rail fares exempt from VAT for this year

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has exempted value-added tax on the fares of Dhaka metro rail, which has gained a lot of popularity since the beginning of its operations.

The tax administration announced the exception on metro rail fares through an order yesterday and the decision came more than six months after the benefit was discontinued.

The VAT exemption came into effect from yesterday and will be valid until December 31 this year.

Commuters of metro rail enjoyed VAT exemptions on their fares until June 30 last year. The NBR did not extend the benefit later, despite requests from Dhaka Mass Transit Company Ltd (DMTCL), the state-run operator of the metro rail.

Though the NBR did not exempt VAT, the DMTCL has not hiked the fares with a senior official of the NBR saying that the VAT would be calculated as inclusive in the ticket prices until the exemption.

"There will be no need to hike fares after we have exempted VAT," he said.

The much-talked-about Dhaka metro rail began commercial operations by the end of December 2022 and it became hugely popular among commuters especially office goers and students who got an escape from commuting on chaotic buses.

EBL CLIMATE CHANGE ACTION AWARDS 2025

The EBL Climate Change Action Awards 2025, initiated in partnership with the US, German, French, and Danish embassies, aims to recognize and celebrate outstanding contributions towards tackling the most pressing challenges of climate change and promoting sustainability in Bangladesh. The awards will honor individuals, businesses, and organizations excelling in five different categories, thereby fostering innovation and leadership in addressing climate challenges.

Log on to our website www.ebl.com.bd for detailed submission guidelines.

Any queries related to submission, please contact us at submission@ebl-bd.com or 09666777325

Submission closing: January 31, 2025

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