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BUSINESS



Slowdown in private credit growth raises alarms

JAGARAN CHAKMA

The declining credit growth for private companies in Bangladesh reflects the country's immediate economic challenges, including long-term risks to investment, employment and overall financial stability.

Private credit expansion has fallen to its lowest level in more than a decade against the backdrop of numerous economic challenges stemming from rising borrowing costs, political uncertainty and weakened investor confidence, according to an economic analyst.

This downtrend will lead to severe consequences if it is not reversed, he said.



ANALYSIS

Credit flow to private firms registered its lowest growth since at least 2015, achieving just 7.15 percent in January this year, as per Bangladesh Bank data.

The figure is 2.65 percentage points lower than the central bank's target of 9.80 percent for the second half of the ongoing fiscal year (FY). Lending to private firms had grown by only 7.28 percent in December last year.

These figures indicate a sharp contraction in the country's investment activity, which is a critical driver of economic expansion.

As such, economists, investors and various other stakeholders have raised concerns over this worrying trend.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, warned that declining private sector credit growth is severely impacting investment.

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Sk Bashir Uddin

Corruption waning, but still stubborn Bashir says

STAR BUSINESS REPORT

Corruption in Bangladesh has not been eradicated and remains quite difficult to eliminate, according to Commerce Adviser Sk Bashir Uddin.

Bashir made this comment at a seminar organised by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at its auditorium in Dhaka, yesterday.

"The advisory council does not take any money. From the chief adviser to all other advisers, no one is here for financial gain," he said.

"These individuals [the advisory council] did not come here for money. Instead, our working relationship is transparent. We learn from one another and work together. This itself is a sign of reduced corruption," Bashir added.

The commerce adviser further claimed that the large-scale corruption, which previously led to the theft of Tk 28 lakh crore, is no longer occurring at the same level.

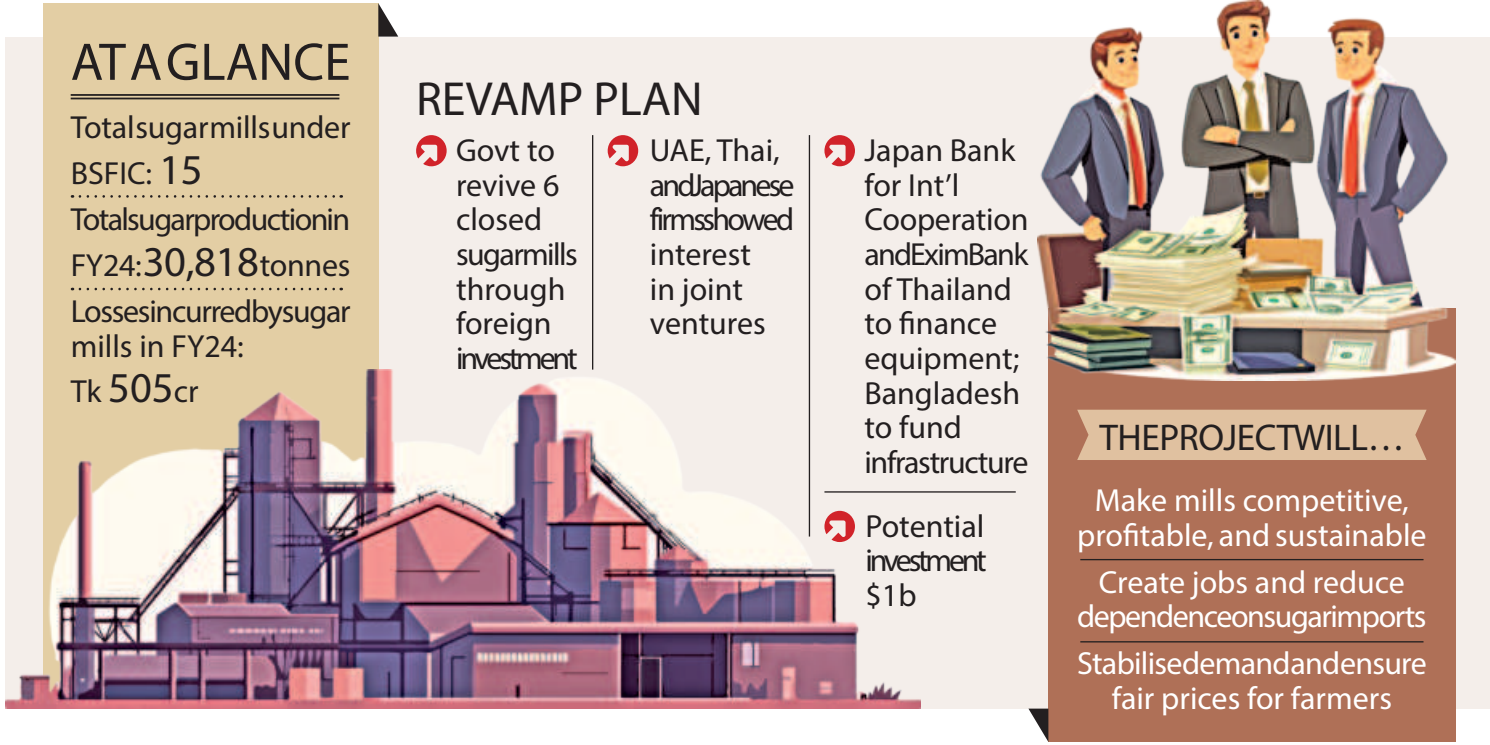
"That level of theft is no longer happening. However, corruption has not been eradicated -- it is quite difficult to eliminate," he said.

Among the most counterfeited items in the world, the US dollar ranks at the top, the adviser noted.

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Japanese funds to revive closed sugar mills

Plans afoot to transform them into modern and profitable ventures



JAGARAN CHAKMA

The government has launched an initiative to modernise and revive six shuttered sugar mills, aiming to transform them into profitable enterprises through public-private partnerships and advanced technology.

Citing operational inefficiencies, the mills were shut down by the previous Awami League government in December 2020.

According to the Ministry of Industries, the Bangladesh Sugar and Food Industries Corporation (BSFIC) is holding discussions with international firms to develop a modernisation and rationalisation plan for these units.

This brings forward a proposal on forming a joint venture and a potential finance by Japan Bank for International Cooperation (JBIC) and the Export-Import Bank of Thailand (EXIM). The majority of the fund may come from JBIC.

On March 16, the ministry sought the opinion of the Bangladesh Investment Development Authority (Bida) on the initiative as private and foreign direct investment would be involved.

In July last year, it was announced that a memorandum of understanding (MoU) had been signed between the BSFIC and the controversial S Alam Group, aimed at modernising the state-run sugar mills.

However, following the ouster of the Awami League government in August last year and the S Alam Group landing into hot water subsequently, the interim government walked away from that deal.

Last month, United Arab Emirates-based Sharkara International (FZC), Thailand's Sutech Engineering Company Ltd, and Japan's Marubeni Protechs Corporation presented a proposal to the industries ministry, expressing interest in forming a joint venture to overhaul the factories.

In October 2019, the BSFIC signed a memorandum of understanding with the three to establish energy-efficient, technology-based and environmentally friendly sugarcane and export-oriented alcohol industries in Bangladesh.

But the proposal remained stuck at the Prime Minister's Office since.

An industries ministry official said the latest proposal appears suitable for modernising shuttered sugar mills and making them profitable.

"We have already shared a letter with Bida as their opinion is mandatory for such investments," the official added. "The sector has the potential to be profitable again, but it requires urgent technological and management improvements."

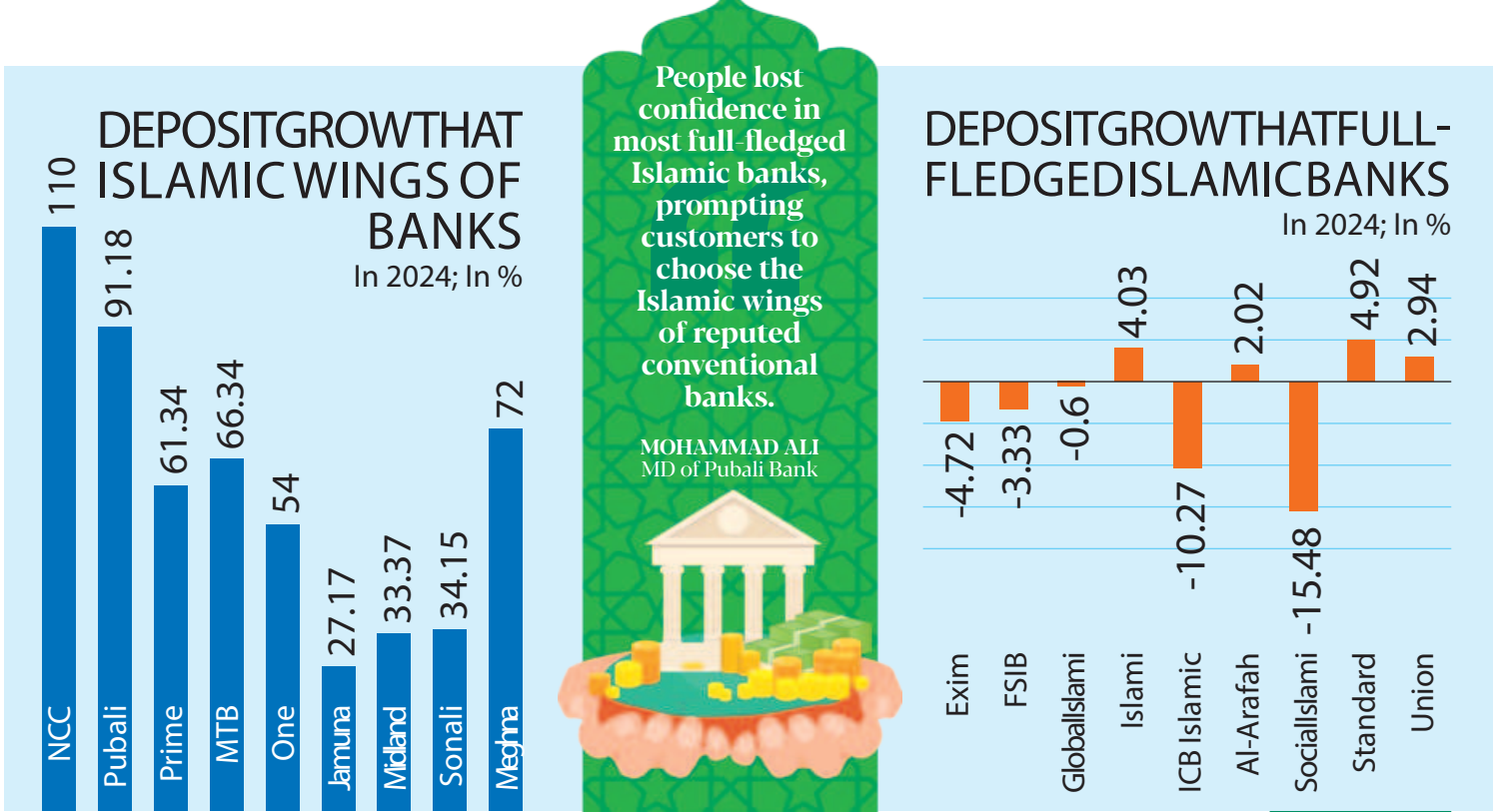
Ashik Chowdhury, executive chairman of the Bida, told The Daily Star that it was not the government's role to engage in business,

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Islamic banks witness deposit shift

Shariah wings of strong banks gain, while full-fledged lenders stumble



MD MEHEDI HASAN

Islamic wings of conventional banks have become the preferred choice for religiously inclined depositors as many full-fledged Shariah-based banks struggle with a crisis of trust.

This shift has emerged after controversies and financial scandals involving Shariah-based banks, many of which were controlled by the controversial conglomerate S Alam Group during the previous regime.

Although the boards of these banks were reshuffled after the political changeover in August last year, industry insiders say rebuilding public trust will take time.

At the end of 2024, deposit growth in the banking sector slowed to 7.47 percent. However, 18 banks experienced deposit surges exceeding 26 percent, with some Islamic wings of conventional banks registering increases of more than 100 percent.

A senior central bank official told The Daily Star that certain conventional banks and their Islamic wings successfully drew in large deposits that had been withdrawn from about

half a dozen struggling lenders.

As financial irregularities at commercial banks linked to S Alam Group came under scrutiny, savers moved their funds to banks with stronger financial standing and reputations, he added.

In 2024, deposits at National Credit and Commerce (NCC) Bank rose by only 13.04 percent to Tk 25,410 crore. However, deposits in its Islamic wing soared by a record 110 percent, the highest in the banking sector.

"Public confidence in some banks was severely shaken last year, which contributed to our strong deposit growth," said M Shamsul Arefin, managing director of NCC Bank.

He told The Daily Star that as customers of certain Shariah-based banks struggled to withdraw their savings, many sought alternative Shariah-compliant options. This trend significantly benefited the Islamic banking units of conventional banks.

"NCC Bank is financially sound and is expanding its Islamic banking operations to cater to the rising demand for Shariah-based financial services," Arefin added.

Similarly, at the end of last year, Pubali

Bank's total deposits stood at Tk 70,637 crore. While the bank recorded a 21 percent deposit growth overall, its Islamic wing saw a 91.18 percent rise.

"Many depositors lost trust in full-fledged Islamic banks, prompting them to turn to the Islamic wings of established conventional banks," said Mohammad Ali, managing director of Pubali Bank.

"Our Shariah compliance is very high, which has helped strengthen confidence in our Islamic banking operations," he added.

Another example is Prime Bank, which saw total deposits grow by 12.74 percent last year while deposits with its Islamic wing ballooned by 61.34 percent.

Along that same vein, the Islamic wing of Mutual Trust Bank saw deposit growth of 66.34 percent and One Bank's Islamic wing recorded a 54 percent increase, according to central bank data.

Hassan O Rashid, managing director of Prime Bank, said that the expansion of Islamic banking deposits in Bangladesh is driven by high demand, supportive policies

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NBFIs see drop in loan recovery

STAR BUSINESS REPORT

Non-bank financial institutions (NBFIs) in Bangladesh saw a slowdown in loan recovery as many firms struggled to repay debts amid an economic slowdown and persistent inflation.

Data from the Bangladesh Bank showed that NBFIs recovered Tk 6,715 crore in loans and advances in the October-December quarter of 2024, down 3.2 percent year-on-year.

However, it represented 1.99 percent growth in recoveries compared to the July-September quarter of the same year.

Kanti Kumar Saha, chief executive officer (CEO) of Alliance Finance PLC, formerly Lankan Alliance Finance Ltd, said the slowdown is an alarming signal despite the fact that businesses are facing many challenges.

"Despite that, recovery should be the number one priority along with austerity measures to keep them floating at this moment so that the sector can support the business growth when the momentum is restored."

Central bank data revealed that many borrowers from the trade and commerce, construction, and industrial sectors failed to repay loans in the fourth quarter of last year compared to the same period a year earlier.

The industrial sector accounted for 40.48 percent of total recoveries, followed by trade and commerce and consumer finance, according to the data.

The central bank also reported that deposits at NBFIs stood at Tk 48,025 crore at the end of December 2024, marking a year-on-year increase of just 1 percent -- the lowest growth in three years.

The total amount of loans and advances grew by 3 percent year-on-year to Tk 76,076 crore in the October-December period of last year.

Compared to the July-September quarter, NBFIs recorded a 2.61 percent increase in loans and advances in the fourth quarter.

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Customs open except for Eid day

STAR BUSINESS REPORT

All customs houses and stations will remain open every day, except on the day of Eid-ul-Fitr, to facilitate import and export activities, said the National Board of Revenue (NBR) yesterday.

The NBR decided to keep operations running on a limited scale during public and weekly holidays from March 28 to April 5, according to an order issued yesterday.

The decision follows a request made by garment exporters on March 13 to keep customs operations open for smooth shipment.