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BUSINESS



Distressed asset law in the making to tackle NPLs

MD MEHEDI HASAN

The interim government is formulating a distressed asset management ordinance that could pave the way for a state-owned corporation to buy and trade troubled assets from banks and non-bank financial institutions (NBFIs).

The initiative comes as non-performing loans (NPLs) continue to weaken the stability of the financial sector.

Officials at the Ministry of Finance said they began work on the ordinance in October last year, with completion likely by June 2026.

The Financial Institutions Division (FID) has already prepared a draft, which is now with Bangladesh Bank (BB) for revision, top officials confirmed to The Daily Star.

Under the proposed act, private firms may also be allowed to set up asset management companies to trade distressed assets.

Distressed or troubled assets include loans or properties unlikely to be repaid in full, prompting banks or NBFIs to sell them at a discount to recover part of the money.

At the end of March this year, bad loans in the country's banking sector hit a record Tk 420,335 crore, accounting for 24.13 percent of total disbursed loans, according to Bangladesh Bank (BB) data.

However, officials estimate that total distressed assets, covering bad loans, defaulted loans, rescheduled loans, written-off loans and loans stuck in court, could be more than Tk 700,000 crore.

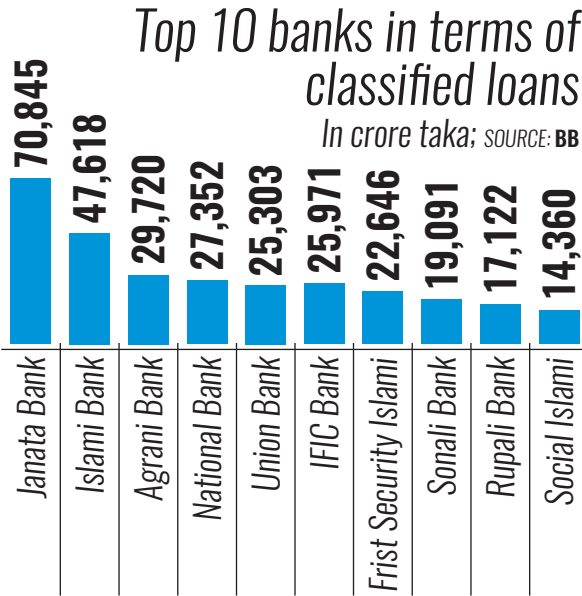
Apart from the banking sector, defaulted loans stood at Tk 25,089 crore at 35 non-bank financial institutions at the end of December last year, or 33.25 percent of their disbursed loans.

The idea of making a legal framework for troubled asset management is not new.

Rather, the idea dates back to the previous

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Ten banks hold 71% of total bad loans



MD MEHEDI HASAN

Just ten banks, both state-owned and private, account for 71 percent of all non-performing loans (NPLs) in the country's banking sector.

The heavy concentration of bad loans within these banks exposes their fragile financial health and adds to the strain on the sector as a whole.

By the end of March this year, bad loans in the banking sector soared to a record Tk 420,335 crore. Of this, Tk 300,028 crore was tied to ten banks, according to the latest data from Bangladesh Bank (BB).

Among them are four state-run banks: Agrani Bank, Janata Bank, Sonali Bank, and Rupali Bank.

The other six are private lenders: Islami Bank Bangladesh, First Security Islami Bank, IFIC Bank, National Bank, Social Islami Bank, and Union Bank.

Janata Bank has the highest volume of bad loans, due largely to widespread irregularities and major scams.

As of March, Janata had disbursed loans totalling Tk 94,734.94 crore, of which Tk 70,845.68 crore had turned sour.

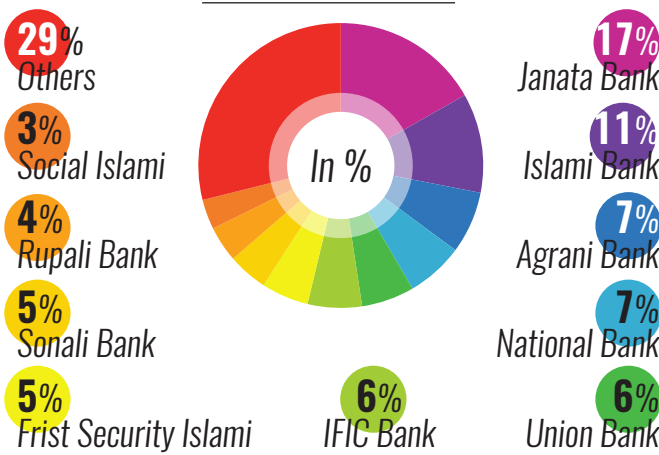
Once a respected lender, Janata's reputation collapsed following a series of scandals involving Anontex, Crescent, Beximco, Thermax, and the S Alam Group during the previous Awami League regime.

Its bad loans rose 48 percent in just nine months, climbing from Tk 48,000 crore in June last year.

Islami Bank Bangladesh has also seen a sharp rise in bad loans. The bank, the largest Shariah-based lender in the country, became entangled with the controversial S Alam Group, which controlled its board until mid-August last year.

SHARE OF BAD LOANS BY BANKS

SOURCE: BANGLADESH BANK



By March this year, its NPLs had reached Tk 47,618 crore, which is 27.38 percent of total disbursed loans.

The S Alam Group and its affiliated firms took more than half of Islami Bank's Tk 163,863.78 crore loan portfolio, show BB data.

At the end of June last year, just before the August 5 political changeover, the bank's bad loans stood at only Tk 7,724 crore.

State-run Agrani Bank's NPLs hit Tk 29,720 crore by March, accounting for 41.35 percent of its disbursed loans.

This marked a 39.37 percent jump from June last year. Agrani Bank officials said politically influential individuals borrowed large sums from state banks that have since turned bad.

National Bank's NPLs stood at Tk 27,352 crore in March, or 64 percent of its outstanding loans. This was up from

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Bangladesh to follow WTO mechanism to deal with Trump tariff

REFAYET ULLAH MIRDHA

Bangladesh will propose to provide duty facilities to the US under a multilateral trading mechanism to retain low tariffs, as the 90-day pause of Trump's reciprocal tariffs will come to an end on July 8.

"We will follow the multilateral trading system of the World Trade Organization (WTO) to address the issue of US reciprocal tariffs," said Abdur Rahim Khan, additional secretary to the commerce ministry, over the phone.

Bangladesh will follow the WTO's most-favoured-nation (MFN) principle to address the US tariffs, he said.

The MFN principle is a method under which, once a tariff benefit is given to a country, it is given to other countries.

In fact, Bangladesh has been rescheduling and updating its tariff measures and rates in preparations for upgrading the country's status to a developing nation from the group of least developed countries (LDCs) in November next year.

In the proposed budget for fiscal year 2025-26, the interim government, as a part of broader trade reforms and in preparation for tariff negotiations with the US, has sought to remove import duties on 110 products and reduce duties on 65 products.

Additionally, supplementary duties on nine products have been proposed to be withdrawn, and on 442 items have been reduced.

Commerce ministry officials are scheduled to hold an online meeting with the officials of the US Trade Representative (USTR) on Tuesday night, Khan also said.

Khan declined to comment in

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Google Pay to launch in Bangladesh next week

STAR BUSINESS REPORT

Google Pay is set to be launched in Bangladesh by the middle of next week, ushering in a new era of seamless digital transactions for consumers.

Local lender City Bank, in partnership with global payment giants Mastercard and Visa, is launching the contactless payment service at the Westin Dhaka hotel on June 24, according to sources involved in the process.

City Bank will be the first local bank to be integrated into Google Pay, allowing its customers to use their Android smartphones to make payments at any point-of-sale (POS) terminal.

Initially, only City Bank customers will be able to add their Mastercard or Visa cards to Google Wallet to use the Google Pay payment mechanism.

Support for cards from other banks is expected to come in

KEY POINTS



City Bank first to integrate with Google Pay service

Mastercard and Visa support enabled through City Bank

Google Pay works for both local and international transactions

Service to expand with more banks soon

Secure payments ensured by encryption and tokenisation technology

future updates.

Whether in Bangladesh or abroad, customers can enjoy fast, secure and contactless transactions simply by tapping their Android smartphones.

The service will allow eligible cardholders to make swift contactless payments in retail stores and conduct safe online transactions domestically and internationally.

Backed by Google's advanced encryption and tokenisation technologies, Google Wallet offers robust data protection and a highly secure payment experience.

For smaller purchases, the PIN-free checkout option will make the process even faster, said an industry expert.

To get started, users will need

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Idra opens special audits into 15 life insurers

SUKANTA HALDER

The Insurance Development and Regulatory Authority (Idra) has appointed audit firms to carry out special audits of 15 life insurance companies for the 2022-2024 period to uncover possible irregularities as claim settlements continued to mount.

"We have an internal grading system based on specific criteria, which was completed in February this year," said an official of the regulator, requesting anonymity.

"These 15 companies were flagged as the weakest performers in that assessment, which is why special audits are now being carried out," the official added.

Appointed last Sunday, the 15 different audit firms will have to submit comprehensive audit reports

within 30 working days, said the official.

They will also verify whether the life insurers are operating in accordance with the Insurance Act 2010, added the official.

The companies include Sunlife Insurance, Homeland Life Insurance, Padma Islami Life Insurance, Progressive Life Insurance, Protective Islami Life Insurance, Best Life Insurance, and Prime Islami Life Insurance.

Also on the list are Jamuna Life Insurance, Diamond Life Insurance, Swadesh Life Insurance, Sunflower Life Insurance, Fareast Islami Life Insurance, Golden Life Insurance, Baira Life Insurance, and NRB Islamic Life Insurance.

The Daily Star yesterday tried to contact at least five companies for comments on the matter.

Officials of four of these companies did not respond to phone calls. An official of the remaining company said they have not yet received any letter from the regulator regarding this issue.

Data from the regulator showed that by the end of 2024, the companies had outstanding claims of Tk 4,615 crore from policyholders. However, they paid only Tk 635 crore to their customers.

Saifunnahar Sumi, media and communication consultant and Idra spokesperson, said the audits would focus on reasons behind claims remaining unsettled, dearth of life funds, excessive management expenses, and poor portfolio management.

Another aim is to identify malpractices and those responsible, she added.

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