

Star BUSINESS



20 non-banks on BB red list

Their disbursed loans were three times higher than collateral

MD MEHEDI HASAN

Twenty non-bank financial institutions (NBFIs) have been placed in the "red" category by the central bank, as their loan exposures exceed three times the value of the collateral they hold.

Although there is no rule of thumb on how much collateral must be secured against a loan, Bangladesh Bank (BB) officials said most lenders usually require security equal to or greater than the loan amount to protect against default risk.

But in the case of these 20 NBFIs, the collateral backing their loans stood at only 26.73 percent. As of December last year, they disbursed Tk 25,808 crore in loans against collateral worth Tk 6,899 crore, according to the BB report seen by The Daily Star.

This low security coverage has left the institutions seeing more than 83 percent of their total lending being classified as non-performing.

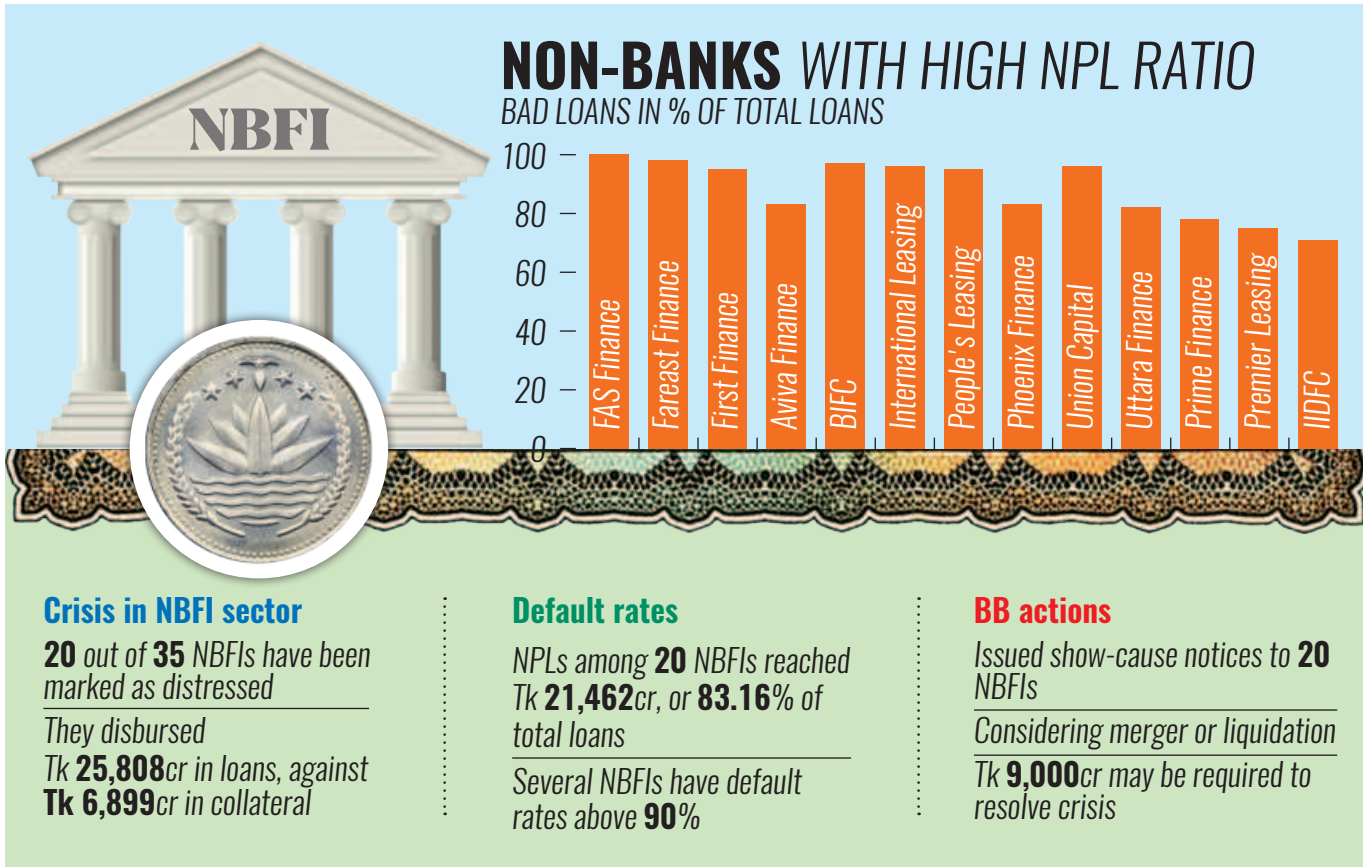
This ultimately has strained their liquidity and raised questions over whether depositors will get their money back on time.

As of December 2024, the institutions combinedly held Tk 22,127 crore in deposits, Tk 5,760 crore from individuals and Tk 16,367 crore from institutions.

Over the past few years, frustrated depositors have regularly taken to the streets demanding the return of their funds. Many analysts see the crisis in NBFIs as a by-product of broader instability in the banking sector. But the banking troubles have often overshadowed the problems facing NBFIs.

While the central bank is now considering a merger for troubled NBFIs, the plan is in its early stages, and there is no specific timeline for it.

The 20 troubled institutions are: CVC Finance, Bay Leasing, Islamic Finance, Meridian Finance, GSP Finance, Hajji Finance, National Finance, Industrial and Infrastructure Development Finance



Company Limited (IIDFC), Premier Leasing, Prime Finance, Uttara Finance, Aviva Finance, Phoenix Finance, People's Leasing, First Finance, Union Capital, International Leasing, Bangladesh Industrial Finance Company Limited (BIFC), Fareast Finance and FAS Finance.

According to the BB report, many of the NBFI loans were disbursed without proper assessment and were backed by collateral reported solely by the institutions, without independent verification.

"Most of the collateral data is self-reported by the NBFIs and requires verification by an independent chartered accountancy firm," the BB report says.

Among the worst affected is Bangladesh Industrial Finance

Company (BIFC), which holds just Tk 22 crore in collateral against Tk 766 crore in loans. Fareast Finance has Tk 125 crore in collateral for Tk 888 crore in loans, while Peoples Leasing has Tk 87 crore against Tk 1,121 crore. IIDFC and Union Capital have collateral coverage of 20 percent and 15 percent, respectively.

High non-performing loans (NPLs) at the NBFIs reflect the poor collateral coverage. The NPL burden at the 20 NBFIs stood at Tk 21,462 crore, which is 83.16 percent of their loan portfolios.

Some firms, such as FAS Finance, Fareast Finance, BIFC, International Leasing, Union Capital, First Finance and Peoples Leasing have default rates more than 90 percent.

The BB has served show-cause notices on the 20 NBFIs, asking why their licences

should not be revoked.

ANM Golam Shabbir, managing director and acting CEO of Union Capital, said the company recently submitted a recovery plan to the central bank after identifying a mismatch between assets and liabilities.

"We are in trouble as some of our investments got stuck due to defaults by well-known businesspeople," he told The Daily Star.

Shabbir blamed the liquidation decision of People's Leasing in 2019 for triggering a wider loss of confidence. "That is when investor and depositor trust collapsed. We received encashment requests for over 90 percent of our deposits. Since then, we have not received a single taka from banks."

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NBR split certain, ordinance flaws to be fixed

Says energy adviser

STAR BUSINESS REPORT

The National Board of Revenue will certainly be split once the flaws in the ordinance are corrected, said Power, Energy and Mineral Resources Adviser Muhammad Fouzul Kabir Khan, accusing its drafters of "deliberately inserting loopholes" through "trickery".

"The ordinance would be amended. In the new structure, neither the administration cadre nor the customs and taxation cadres will dominate the two new divisions," he told reporters at a press briefing yesterday at the ministry.

The briefing was hosted by a five-member advisory panel formed on June 29 on trade facilitation, industrial policy, and revenue reform.

According to Khan, NBR officials who recently took part in protests have apologised and retracted their objections.

"They no longer oppose the formation of the two new divisions. They have moved away from their earlier position of preserving the NBR in its current form," he said.

"There will be no NBR. People just laugh when they hear the name. It has become a joke, and you all know why. It is best to leave that name behind."

Commenting on the flaws in the ordinance and the unrest that followed, the adviser said the dispute originated from a long-running conflict between the civil administration and the tax and customs cadres.

"This tension is nothing new, but it flared up over this ordinance for two main reasons. Fundamental flaws in the ordinance and some clever manoeuvring by those who drafted it," he said.

The adviser cited vague terms such as "suitably qualified" or "experienced in revenue collection" as examples of the kind of ambiguity that could be exploited in senior appointments.

"These issues have been raised by our committee, and we will submit our recommendations to the government," he added.

Khan said a separate policy guideline would be proposed for appointments to top positions in the two divisions. This would set out clear and specific eligibility criteria for roles such as secretary.

On May 12, the government issued the ordinance, dissolving the NBR and creating two separate revenue divisions. It prompted protests by NBR officials and staff, which lasted for two months.

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Swiss investor threatens to sue BB over ICB Islamic Bank share

Demands resolution of legal dispute or refund of Tk 350cr investment

STAR BUSINESS REPORT

ICB Financial Group Holdings AG has threatened to initiate legal proceedings against the Bangladesh Bank (BB) in the international court for allegedly breaching a 2008 agreement and failing to safeguard its investment.

Founded in Switzerland, the investment holding company is the majority shareholder of ICB Islamic Bank Limited, which was earlier known as Oriental Bank Limited (OBL).

In a letter sent to BB Governor Ahsan H Mansur on July 7, the group alleged that the central bank had failed to honour critical terms of a "Share Sale and Purchase Agreement" signed on February 28, 2008.

The agreement involved the group, the OBL, and BB, paving the way for the restructuring and recapitalisation of the OBL, which had fallen into financial troubles.

According to the letter, the group was assured that the shares it would subscribe to were free of encumbrances or claims. Based on this assurance, the group invested Tk 350 crore in the restructured bank.

However, the group claims its ownership and control over the bank have been compromised due to a series of unresolved legal challenges filed by former shareholders of the OBL.

The letter, signed by the group's chairman, Josephine Sivaretnam, noted that several cases remain pending before the Supreme Court, challenging the legality of Bangladesh Bank selling shares which had been forfeited.

It particularly highlighted a case in 2014, in which the High Court ruled that the group cannot sell or transfer the shares until the dispute is resolved, effectively freezing share transactions.

"If the former shareholders succeed in court, they would end up holding the majority stake in the bank, which would be highly detrimental to ICB Group's interests," the letter stated.

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External balance continues to improve

STAR BUSINESS REPORT

Bangladesh's external balance showed improvement in the first 11 months of the recently concluded fiscal year (FY) 2024-25, owing to higher remittance inflows and a rise in exports.

During the July-May period, the overall deficit in the balance of payments stood at \$1.14 billion, a fivefold improvement from a deficit of \$5.88 billion in the same period the previous year, according to the Bangladesh Bank (BB).

The balance of payments is a record of a country's overall transactions with the rest of the world.

The current account also saw a major turnaround. It narrowed from a deficit of \$6.11 billion in the July-May period of FY24 to just \$432 million in July-May of FY25, thanks to record-high remittances and a reduced trade gap.

Money sent home by Bangladesh nationals staying abroad shot up by 28.7 percent year-on-year during the period, reaching \$27.5 billion.

The trade deficit narrowed slightly to \$19.38 billion in the July-May period of FY25, compared with \$20.22 billion a year earlier.

NBR server glitch disrupts port, customs operations

CUSTOMS DISRUPTION

Server slowdown is hampering operations at ports and ICDS

Weekend clearance efforts failed due to persistent system failure

THE FIXES

Customs suggests archiving old data, boosting server capacity, and seeking UNCTAD help

NBR may set up a dedicated ASYCUDA server for Chattogram

MOHAMMAD SUMAN and DWAIPIYAN BARUA

Major customs houses across Bangladesh, including that in Chattogram, have been facing delays in processing exports and imports for days now due to recurring slowdowns in the server that handles the records.

This has led to apprehensions of



BACKLOGS

Exporters and C&F agents face long waits and document submission issues

Traders warn of major supply chain disruptions if problems continue

a pileup of cargo and processing backlogs at ports and inland container depots.

The customs houses use ASYCUDA World, an automated system for customs data processing, which was introduced in 2013, replacing the earlier ASYCUDA++ version.

While the system is designed to handle end-to-end online

submissions, performance lags and breakdowns have become increasingly frequent.

According to customs officials, the system now functions for only 10 to 15 minutes every two hours, causing serious delays in the clearance procedures of import and export consignments.

On Thursday, the National

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Govt to finalise handover of API park plots

STAR BUSINESS REPORT

The government has moved to complete the process of plot transfers at the Active Pharmaceutical Ingredient (API) Industrial Park in Gazaria upazila of Munshiganj, as part of efforts to streamline local API production and reduce import dependence.

The Ministry of Industries has issued a gazette notification outlining procedures for transferring plots under the "BSCIC Industrial Park Plot Allocation and Management Policy-2023," on July 10.

Speaking to The Daily Star on the matter, Md Saiful Islam, chairman of Bangladesh Small and Cottage Industries Corporation (BSCIC), said a list of industrial units interested in either transferring or acquiring plots will be prepared and finalised by the end of this month.

"No further plots will be allocated after this transfer process is complete," he added.

As per the new instructions, the transfer

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