



M. Jamal Uddin

Weak NBFIs could rebound with Tk 3,100cr support

Liquidation would further weaken the sector, says association chairman

AHSAN HABIB

A group of 15 struggling non-bank financial institutions (NBFIs), including nine set for liquidation, has informed the Bangladesh Leasing and Finance Companies Association (BLFCA) that they would collectively need about Tk 3,100 crore in liquidity support to regain stability, said the association's Chairman M Jamal Uddin.

The government could feasibly provide the amount to help the firms rebound, he said in an interview with The Daily Star, adding that the institutions themselves had assessed their needs and conveyed the figure to the BLFCA, which is now advocating on their behalf.

"Without such support, loan recovery at these weak institutions may be further disrupted, worsening their condition," he said.

He noted that the affected NBFIs are currently unable to finance new businesses or extend fresh loans because their liabilities have become too large. "It will take them a long time to recover from this situation. What they really need now is support from the central bank and reforms."

The struggling NBFIs approached the BLFCA with a formal request for it to seek Bangladesh Bank's help. With the proposed support, they hope to settle part of their dues to depositors while retaining enough funds to revive business operations. Once operations resume, they expect to be able to gradually clear the remaining obligations, Uddin said.

On September 23, the BLFCA met Bangladesh Bank (BB) and proposed liquidity support at a 2 percent interest rate, repayable over seven to ten years on a quarterly basis.

The association suggested that BB consider extending support equivalent to up to 30 percent of an institution's balance sheet for at least seven years.

"This support could alleviate current liquidity stress through diversified fund management techniques," said Uddin, who is also managing director and CEO of IDLC Finance.

According to the BLFCA's presentation, one-third of the support would be used to meet encashment requests from small depositors to restore confidence, while the remaining

two-thirds would be channeled into the CMSME sector to generate returns for reinvestment. Potential BB pre-financing could strengthen this further.

All loans, leases, and advances, including those newly issued using the support funds, would remain under BB's lien as security, as per the association's proposal.

Classified loans in NBFIs exceed Tk 27,000 crore, more than 33 percent of their total lending portfolio. The erosion of capital has left many institutions technically insolvent.

Asked if Tk 3,100 crore would be sufficient for recovery, Uddin offered caution.

assistance must include safeguards. "If the government provides money, there has to be protection in place. There must be clarity on the form of support, how it will be disbursed, and how and when it will be repaid."

"Once the institutions restart operations with the aid, they can gradually recover part of their assets. But if their operations stall, they will not be able to recover their existing assets in the market," added the BLFCA chairman.

LIQUIDATION NOT THE ANSWER
The government has announced plans to liquidate nine NBFIs. Speaking on the matter, Uddin

sector.

"This is why Bangladesh Bank is saying: if your governance, management, and credit risk analysis capabilities are lacking, you do not have the strength to do business sustainably," he said, adding, "This is why the central bank is taking a different approach toward the sector."

Reforms, he noted, are essential to strengthen corporate governance and stop a recurrence of the existing crisis. Some policies for NBFIs should be aligned with those of banks, such as loan write-off rules, the number of directors, and regulations on deposit collection and eligible securities.

TAKEAWAYS FROM INTERVIEW

Liquidity support

BB support could revive NBFIs and restore loan recovery

Each non-bank needs liquidity support of up to 30% of its asset

The tenure for the assistance should be seven years

One-third of the support is aimed at honouring small depositor claims

Two-thirds of the liquidity support to be invested in CMSME sector

Challenges

High classified loans have made many NBFIs technically insolvent

Shutting down weak institutions may harm the sector further

Corporate governance weaknesses contributed to current struggles

Sustainability

Reforms needed to align NBFIs' policies with those of banks for long-term stability

Strong corporate governance helped some institutions avoid BB intervention

"We do not have our own research team, nor are we strong enough as an organisation to analyse full balance sheets and income statements of all institutions to definitively conclude that this money would be sufficient," he said.

"However, the institutions themselves have claimed that this amount would allow them to start recovering."

NBFIs and their customers argue that since the government has supported troubled banks, including shariah-based lenders, a targeted, even if smaller, package for NBFIs would be reasonable.

Jamal stressed that any government

cautioned that closures will not necessarily strengthen the sector.

He said, "It cannot be said that shutting down a few institutions will help the sector recover. In fact, doing so may weaken others already in fragile condition. But if they are given the opportunity to revive operations to some extent, public confidence in the sector might gradually return."

He warned that other marginal institutions could eventually fall into the same position unless they receive interim support.

Uddin acknowledged that weak corporate governance is at the core of the crisis currently gripping the NBFIs

"If these issues remain unresolved, even strong NBFIs will struggle."

He emphasised that many well-performing NBFIs have succeeded because they maintain strong internal governance.

"Often, central bank intervention is not necessary when an institution ensures self-governance," he said.

While BB has adequate policies for the sector's sustainability, he said the challenge lies in enforcement.

"Policies are often made and revised, but enforcement and compliance are weak. Over time, institutions gradually become vulnerable and eventually reach the point of closure."

The future of retail banking

MAMUN RASHID

Retail banking in Bangladesh is entering a moment of reckoning. With the Bangladesh Bank (BB) preparing to issue digital banking licences, and with more organised mobile financial services, AI and platform technology becoming mainstream, it is no longer enough for a bank to be a place where people open an account, deposit money or apply for a loan. That model was built for a time when banking was scarce, branches were the primary touchpoint, and margins were wide. Today, customers have options and expectations that move faster than branch infrastructure. The question is not whether digital banks will replace traditional ones, but whether traditional banks will use this moment to evolve.

Digital banks will no doubt attract the younger, mobile-first population. That will be a catalyst, not a takeover. The real pressure will fall on legacy retail banks that still run large brick-and-mortar networks with high operating costs and thin spreads. Maintaining branches only to complete routine transactions is becoming difficult to justify. Instead of hundreds of transactional counters, banks can turn branches into advisory hubs, experience zones and acquisition centres for higher value products such as wealth, SME, housing and cross-border services. The branch can become the place where trust is built and complex products are explained, while day-to-day services are completed on apps and ATMs.

Globally, banks that are growing retail income are not relying only on interest. They are adding fee-based and lifestyle-linked services inside the same ecosystem. Bangladesh can do the same. A bank app should not stop at balance inquiry. It can help customers buy insurance, invest in a small portfolio, pay for travel, track tax obligations or even access curated property listings.



This is how a bank moves from transactional to transformational and keeps the growing middle class and affluent customers inside its own environment rather than losing them to foreign platforms or informal agents.

To get there, technology modernisation is not a side project. It is the foundation. Cloud-ready cores, open APIs and AI-powered analytics give a bank the ability to personalise offers, score risk faster, integrate fintech partners and lower the cost to serve. Without this, retail transformation will remain a PowerPoint idea. With it, banks can serve the mass market digitally and reserve physical spaces for higher-value engagement.

Regulation will need to move in parallel. Some asset and investment products are still underused because of ambiguity. A sandbox and clearer guidelines can unlock new services while keeping consumer protection intact. The biggest risk for banks now is not digital competition, it is inertia. The winners will be the ones that keep the trust and balance sheet strength of a bank, but redesign the retail experience for a customer who lives on a screen, not in a queue.

This shift is not new. When JPMorgan leaders said almost a decade ago that they were a technology company that happened to provide banking, they were not making a marketing statement; they were describing the direction of the business. They were saying that the infrastructure, data and software layer would create the value, and banking products would be the services on top. Capital One and DBS Bank in Singapore also moved in the same direction.

Bangladeshi banks are now at the same crossroads. If they keep thinking like branch networks, digital banks and MFS players will capture the customer relationship. If they start thinking like technology companies that deliver regulated financial services, branches can be repurposed into high-value experience hubs, and the bank stays at the centre of the customer's financial life. Banks can also optimise their costs by shifting branches from posh avenues to customer-friendly locations. They need to cover more gaps in individual client lives and build solutions for evolving needs, from healthcare to capital gains.

The writer is an economic analyst and chairman at Financial Excellence Ltd

China made a 'mistake' with rare-earth controls

US treasury secretary says

AFP, Gyeongju

China's decision to impose export controls on rare earths was a "mistake" and drew attention to Beijing's ability to use them as a coercive tool, US Treasury Secretary Scott Bessent said in an interview published Saturday.

Beijing announced new controls in October on exports of technologies related to rare earths, crucial for manufacturing in defence, automobile, consumer electronics and other industries.

The restrictions were a major sticking point in trade negotiations between Beijing and Washington, and China said it would halt them after presidents Xi Jinping and Donald Trump met this week.

In an interview with the Financial Times, Bessent said: "China has alerted everyone to the danger. They've made a real mistake." "It's one thing to put the gun on the table. It's another thing to fire shots in the air," Bessent said.

Xi and Trump met on the sidelines of the Asia Pacific Economic Cooperation summit in the South Korea this week. Following the talks, China said it would suspend certain export restrictions, including on rare-earth materials, for one year.

Trump-Xi confab delays full reckoning on trade

REUTERS, Hong Kong

The latest stopgap Sino-American pact underscores how intractable issues central to the broader bilateral relationship have become. US President Donald Trump and his Chinese counterpart Xi Jinping struck a positive tone on Thursday as both leaders rowed back on export controls and more. That should help keep further escalation in check. Yet this strategic can-kicking does little to resolve trade hostilities between the world's largest economies.

After more than a month of tit-for-tat escalation on US sanctions, shipping fees, rare earths and more, expectations were already low heading into the meeting in South Korea. Per early readouts on the agreement, Washington halved fentanyl-related tariffs to 10 percent—bringing tariffs imposed on Chinese imports to 47 percent, from 57 percent, according to Trump—and suspended expanding its sanctions framework by one year. In return, Beijing pledged to hold off from restricting rare earths exports, also by one year, and buy more American soybeans. Both sides pushed back reciprocal tariffs again, this time for a year. And Chinese stocks barely reacted.

It's hardly a grand bargain and falls far short of the truce achieved with the so-called Phase One agreement signed during Trump's first term. Still, this breather benefits the negotiators more than either country or markets. For Xi's team the meeting provided a symbolic chance to stabilise relations and demonstrate the country's rare earths leverage in negotiating for better trade terms. Trump meanwhile gets to score political points at home with farmers and help limit supply chain disruptions for American multinationals.

Outstanding issues that have yet to be addressed include tariffs in both directions

that cover virtually all of \$580 billion in bilateral trade; export controls on sales of Nvidia's advanced Blackwell AI chips and other advanced tech to China; Beijing's ongoing probes into US firms' Chinese operations; Trump's long-held conviction that low-cost Chinese exports hobble his country's manufacturers; and the status of Taiwan, to name a few.

At least both sides have agreed to another meeting in April, when Trump will visit China. Even so, not all of these issues could be overcome even if the two leaders were willing, and there's no reason that next year's summit will be any more successful. And openly strategic moves—like the recent rare

earth procurement pacts between the US and Australia—suggest that each side will use the interim to minimize the other's leverage.

So this interim "deal" does stave off escalation in the basic sense, but won't stop it. Both sides may seek greater stability in relations, yet they cannot afford to assume anything but the worst of each other, either.

US President Donald Trump and Chinese leader Xi Jinping agreed on October 30 to a series of de-escalation measures on trade after a series of tit-for-tat tariffs and restrictions. Both sides agreed to push back implementation of repeatedly delayed reciprocal tariffs once again, this time by a year.



US President Donald Trump (R) and China's President Xi Jinping (L) hold talks at the Gimhae Air Base, located next to the Gimhae International Airport in Busan, on October 30.

China's factory activity shrinks for seventh month

AFP, Beijing

China's factory activity shrank for a seventh straight month in October, official data showed Friday, as trade uncertainty ahead of talks between President Xi Jinping and US leader Donald Trump weighed on the economic powerhouse.

The manufacturing Purchasing Managers' Index — a key measure of industrial health — came in at 49.0, marking another contraction, according to the National Bureau of Statistics (NBS).

The reading missed a forecast of 49.6 by a Bloomberg survey of economists and was down 0.8 percentage points from the previous month.

Manufacturing in October slowed "due to factors such as... the more complex international environment", said NBS statistician Huo Lihui in a statement.

Huo also attributed part of the slowdown to China's "Golden Week" National Day holiday this month, a period that usually sees slower factory activity.

The country's overall economic output "remained generally stable", he added.

October's reading equalled the lowest level of factory activity this year, matching the 49.0 figure in April.

That month kicked off a streak of contraction as factories dealt with ebbs and flows of a US-China trade war.

"The economic momentum has weakened" since the middle of the year, wrote economist Zhiwei Zhang of Pinpoint Asset Management.

But after negotiations with the United States "went successfully... I think the macro policy in China will stay unchanged for the rest of this year", he said.