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Bad loans at non-banks hit 37%

STAR BUSINESS REPORT

Defaulted loans at the country's non-bank financial institutions (NBFIs) have surged to a record 37 percent, highlighting the sector's fragile condition.

As of September last year, 35 NBFIs held Tk 29,408.66 crore in bad loans, equivalent to 37.11 percent of their total disbursed loans of Tk 79,251.11 crore, according to Bangladesh Bank (BB) data.

A year earlier, in September 2024, the sector's non-performing loan ratio stood at 35.52 percent.

Industry insiders attribute the rise in bad loans to "the legacy of the massive irregularities and scams that took place seven to eight years ago".

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

The affected institutions are People's Leasing, International Leasing, FAS Finance, and Bangladesh Industrial Finance Company Limited (BIFC). As a result, these four non-banks became ailing, with over 90 percent of their loans turning bad.

Industry insiders said the central bank's inadequate supervision is to blame for the current state of the NIFI sector. Many non-banks are now unable to repay depositors because of widespread irregularities and scams.

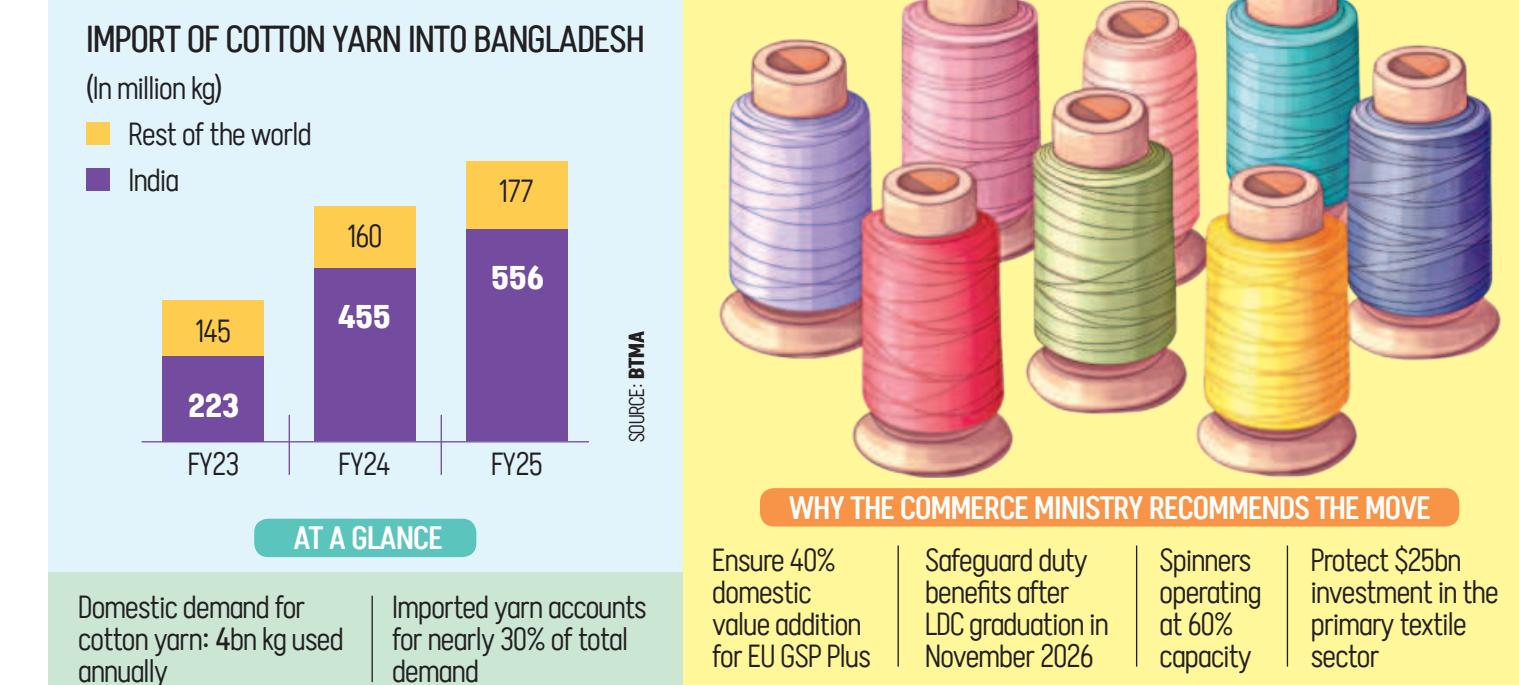
Amid this situation, the central bank is planning to liquidate nine ailing companies.

These are FAS Finance, Bangladesh Industrial Finance Company, Premier Leasing, Fareast Finance, GSP Finance, Prime Finance, Aviva Finance, People's Leasing, and International Leasing.

The government has pledged Tk 5,000 crore to repay depositors of these NBFIs.

Govt moves to curb yarn imports, RMG exporters unhappy

Import restrictions on duty-free medium-to-coarse yarn may protect local spinners but could threaten the country's global apparel market position



REFAYET ULLAH MIRDHA

The commerce ministry has recommended that the revenue board end the duty-free import of certain types of yarn under the bonded warehouse facility.

Local spinners have welcomed the recommendation, but local apparel manufacturers say this could push up production costs and undermine the country's export competitiveness.

In a recent letter to the National Board of Revenue (NBR), the ministry recommended withdrawing the bonded facility for importing yarn of 10 to 30 count - a medium-to-coarse thickness range widely used in knitwear manufacturing. A higher count indicates less thickness.

The ministry cited mounting pressure on local spinning mills from cheaper imports, particularly from India.

Readymade garment exporters say the proposal risks unsettling the country's largest export sector at a time of global uncertainty and intense price competition.

Leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) voiced their concerns regarding the move and announced to hold a press

conference on the issue today.

BGMEA Director Faisal Samad said the suspension of duty-free imports would force garment manufacturers to rely more heavily on local yarn suppliers, where prices are already rising.

"The garment sector will be severely affected as we will have to buy yarn at higher prices from a monopolised local market," he said, adding that BGMEA members had raised the issue at an emergency meeting.

He declined to comment further ahead of the press conference, but said exporters were deeply concerned about the government's decision to restrict imports of "widely consumed" yarn.

BKMEA Executive President Fazle Shamim Ehsan said imported yarn accounts for nearly 30 percent of the country's total demand - roughly \$1.5 billion worth - with most of it sourced from India. The remaining demand is met by domestic spinners.

He said local mills had already started quoting prices \$0.25-0.3 (Tk 30-36) per kilogramme higher following the proposed restriction.

"It is not right to harm the export-oriented garment industry to salvage the spinning sector," he said, arguing that targeted incentives of four to five percent could have been offered to primary textile producers

instead.

The push for restricting imports follows sustained lobbying by the Bangladesh Textile Mills Association (BTMA), which has warned that some mills in the primary textile sector, which have investments of about \$25 billion, are facing the risk of closure due to the import of cheap yarn from India.

In late December, BTMA urged the government to either suspend the bonded warehouse benefit or impose a 20 percent tariff on imports of the popular yarn counts.

According to BTMA sources, Bangladesh uses 400 crore kilogrammes of yarn in a year, with some 46 percent coming from India.

According to BTMA, Indian traders have been selling 30-count yarn in Bangladesh at \$2.50 to \$2.60 per kilogramme, even though the same yarn sells for \$2.90 to \$2.93 per kilogramme in India.

The association said such pricing reflects heavy incentives and has left local spinners struggling, with unsold yarn stocks reportedly reaching Tk 12,000 crore by the end of December.

The commerce ministry echoed these concerns in its letter to the NBR, noting that yarn imports surged sharply in recent years.

Import volumes rose by more than 68 percent in fiscal year 2023-24 (FY24)

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Farm success comes at a heavy cost: Anu Muhammad

STAR BUSINESS REPORT

Bangladesh's booming farm production is coming at a hidden cost of health risks, environmental damage, and long-term threats to future generations, warns eminent economist Prof Anu Muhammad.

The country's farm sector now projects "an aura of development"—record harvests, expanding markets, and visible state support—while masking the long-term costs borne by farmers, consumers, and future generations, he said.

"If this path continues, we will become unhealthy, and the next generation will be unhealthy as well," he said.

Prof Muhammad made the remarks yesterday at a press briefing on safe agriculture and food systems at the National Press Club in Dhaka.

He described rural Bangladesh as a landscape of intense and often unplanned activity, where crop fields, fish enclosures, and brick kilns exist side by side.

Local markets, he said, are flooded with fertilisers, pesticides, and machinery, many of which are subsidised by the state and promoted as essential tools of modern agriculture.

"These inputs are receiving government sympathy and support, but ordinary people and even farmers do not know how the policies behind them are formulated," Muhammad said.

"Most of these policies are written in English, not Bangla, and international development partners such as the World Bank, IMF, UNDP, and USAID play a major role behind them," he added.

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BB sticks to no profit at five shariah banks amid depositor unrest

MD MEHEDI HASAN

The Bangladesh Bank (BB) will not change its decision about paying no profits on deposits for 2024 and 2025 at five shariah-based banks now undergoing a merger, even as depositors staged protests at a number of branches.

The central bank confirmed this yesterday as the move aligns with shariah principles, under which no profit is distributed when banks incur losses, said BB officials.

Last week, BB instructed five merging lenders to recalculate their deposit balances and refrain from providing any profit for 2024 and 2025.

The banks—First Security Islami, Social Islami, Union, Global Islami, and EXIM—are being merged to form a new state-run institution, Sammilito Islami Bank PLC.

After the decision, depositors of the five banks expressed anger, disrupting normal operations at some branches of the commercial lenders.

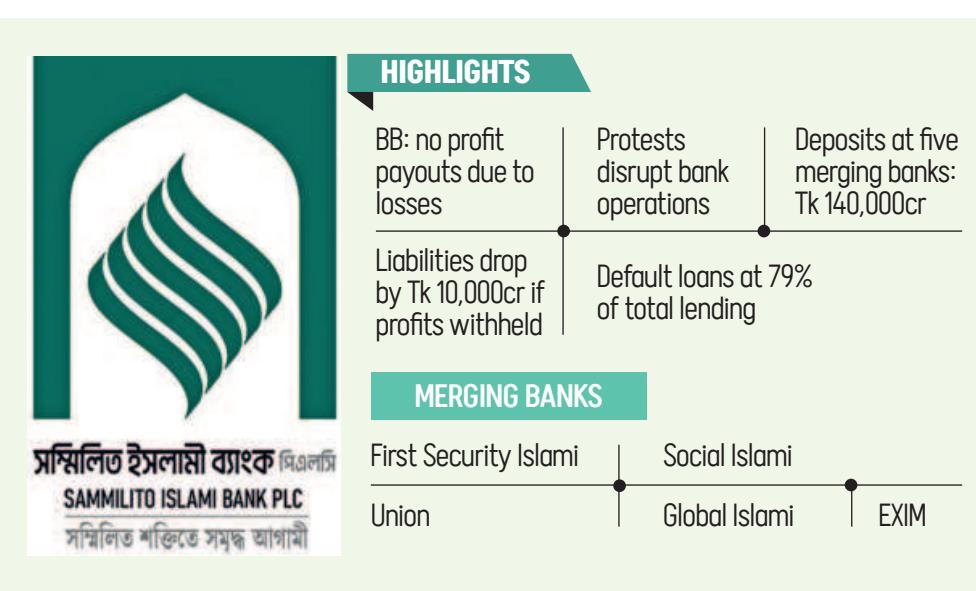
The banks reported the unrest to BB and requested a reconsideration. Meanwhile, officials from the bank resolution department of BB met with the governor yesterday.

According to an official from the department who wished to remain anonymous, the governor said the decision would not be reversed as it conforms with shariah law.

He added that backing away could jeopardise the merger initiative.

Aref Hossain Khan, executive director and spokesperson for the BB, said the central bank remains firm on its stance.

On January 14, the banking regulator sent letters to the five troubled banks, stating that deposit balances would be recalculated based



on positions as of December 28, 2025 and that no profit would be applied to deposits from January 1, 2024, to December 28, 2025.

Previously, it was decided that profits on deposits would be paid at the bank rate, which currently stands at 4 percent.

A day after the directive, BB Governor Ahsan H Mansur, at a press briefing, said that the move follows shariah principles.

"However, depositors will receive their full principal amount," he said.

BB officials estimated that if implemented, the decision would reduce the banks' liabilities by Tk 10,000 crore.

At the end of September last year, total

deposits of these banks stood at Tk 141,000 crore, while the number of depositors was 75 lakh.

Officials of the merging banks said many depositors have been visiting branches and issuing threats. Some have remained at branches all day, causing operations to grind to a halt, according to letters sent to authorities.

Branch managers reported that customers have taken an "aggressive stance" and, in some locations, "transactions have been suspended".

A senior official of Social Islami Bank told The Daily Star that if the decision is implemented, it will be "very difficult to handle customers".

Sammilito Bank's top posts via competition, transfer, selection Govt outlines appointment process for MD, DMD and GM

STAR BUSINESS REPORT

The general manager, the third-highest post at the Sammilito Bank PLC, can be appointed through open competition, transfer of GMs from state banks, or specially selecting officials from the five banks being merged to form the new bank, the government has decided.

Meanwhile, appointments to the managing director (MD) and deputy managing director (DMD) posts will be done through an open competitive process, according to a policy issued by the Financial Institutions Division (FID) yesterday.

The policy states that until the service regulations for the Sammilito Bank are formulated, appointments to these three positions will be made under this policy.

However, the process of appointing the MD had already begun through a newspaper advertisement before the new policy was issued.

According to sources familiar with the matter, 10 candidates have been shortlisted based on the prescribed qualifications.

From these 10, a subcommittee led by the Bangladesh Bank (BB) Governor Ahsan H Mansur will finalise one candidate for appointment.

For the positions of MD and DMD, recruitment will be conducted through open competition based on required educational qualifications and other experiences.

For the GM position, in addition to open competition, two separate arrangements will apply. One arrangement is that existing GMs working in state-owned, specialised, and financial institutions may be transferred to the newly formed bank with the approval of the finance adviser/minister.

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