

Tighter loan classification reveals systemic banking flaws: ICCB

STAR BUSINESS REPORT

Recent regulatory moves forcing banks to more accurately recognise and report defaulted loans have laid bare deep weaknesses in the banking system, underscoring the need for stronger discipline, risk management and governance, the International Chamber of Commerce Bangladesh (ICCB) has said.

As these vulnerabilities come to light, it is essential to distinguish between wilful default and genuine business distress, the chamber observed in an editorial in the ICCB's latest News Bulletin (October-December 2025) published yesterday.

Viable enterprises should receive

structured support, while deliberate financial misconduct must be addressed firmly and transparently, it also said.

The ICCB said the banking system remains the backbone of Bangladesh's economic journey. It mobilises national savings, finances trade, supports entrepreneurship and underpins employment generation.

As the country moves towards upper-middle-income status, the strength, credibility and resilience of the banking sector will play an increasingly decisive role, the ICCB stated.

It noted that the effectiveness of the regulator will also shape future growth prospects and determine the economy's capacity to absorb shocks.

Describing high levels of non-performing loans (NPLs) as one of the most pressing structural challenges for the country, the chamber noted that total NPLs in the banking sector have exceeded Tk 6.44 lakh crore, accounting for about 35.7 percent of outstanding loans.

Such a large volume of bad loans is alarming by international standards, ICCB said, adding that it weakens bank balance sheets, erodes capital, constrains lending, raises borrowing costs and discourages new investment.

At the same time, NPLs increase risks to depositors and overall macroeconomic stability, the chamber further noted.

The editorial points to global experience showing that strong, professional and

independent central banks are critical to safeguarding financial stability.

The Bangladesh Bank plays a pivotal role not only in monetary policy, but also in prudent regulation, crisis management, payment systems oversight and maintaining confidence in the financial sector.

Over the past two years, the central bank has taken extraordinary measures, including liquidity support, guarantees and refinancing facilities, to preserve stability during periods of stress.

While such interventions are appropriate in times of volatility, the ICCB emphasised that emergency funding cannot substitute for robust governance and prudent lending.

BSEC rejects Tk 2,100cr

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protection, disclosure quality, cash flow, and the issuer's ability to repay bondholders on time, said the banker, preferring anonymity.

He said subordinated bonds are an important tool for banks to strengthen tier-2 capital without diluting equity, improve maturity matching, and reduce reliance on short-term deposits.

"At a time when many banks are undergoing leadership changes, balance sheet clean-ups, and operational restructuring, bond financing can provide breathing space for a sustainable turnaround," he said.

Capital market representatives, however, defended the BSEC's cautious approach.

Saiful Islam, president of the DSE Brokers Association of Bangladesh (DBA), said the recent merger of five banks had heightened risks for bondholders, as merger schemes addressed depositor interests but offered no clear protection for bond investors.

"After the merger of five banks, there is growing fear

that bond subscribers could lose their investments if a bank's financial condition deteriorates," he said.

Islam also criticised credit rating agencies, saying they had failed to reflect the true financial health of banks, leaving bond investors exposed.

"Usually, investors rely on credit ratings when subscribing to bonds. But the rating agencies did not properly capture the risks," he said, adding that bond approvals should therefore be handled with greater scrutiny in the public interest.

He said that banks whose bond proposals were rejected might face short-term pressure, but they should consider raising capital through equity injection instead.

BSEC Spokesperson Abul Kalam said obtaining a no-objection certificate from the BB is only one of several conditions for bond approval.

"It does not mean that if the central bank gives an NOC, the BSEC must approve the bond," he told The Daily Star.

He said the commission approves debt securities in line with its own rules and regulations, and may

reject proposals if a bank's financial performance and cash flow are weak.

"If cash flow is not satisfactory, the bank may face difficulties in repaying bondholders. That risk has to be assessed independently," he added.

Bangladesh Bank Spokesperson Arif Hossain Khan said each regulator has a different perspective and operates within its own mandate. "The decision not to approve some bonds is entirely the BSEC's consideration, and it has the authority to do so," he said.

Contacted, Khwaja Sharhriar, chairman of Al-Arafah Islami Bank, whose bond issuance proposal was rejected by the stock market regulator, said the bank had been on a steady recovery path since the board was reconstituted.

He said liquidity conditions have improved, and the bank's overall financial position is strengthening gradually.

"We seek the continued support of the BSEC and firmly believe they will assist us in further strengthening the institution's strength for the sake of national development," he added.

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Online tax

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resolve this, the government must integrate the individual online filing system with the national treasury to enable automated, intervention-free transfers."

"This is just unfair," said Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development. "Collecting tax in the name of advance income tax without allowing proper adjustment amounts to double taxation and penalises compliant taxpayers."

Globally, excess tax is refunded within a reasonable timeframe. In Bangladesh, however, the process remains manual and cumbersome. While income tax filing has been digitised, the refund system has not, frustrating taxpayers and eroding trust

in the system, he said. "If the government is serious about modernising the tax system, fixing the refund mechanism is a basic reform, not an optional one," he said.

For comment, The Daily Star approached NBR Chairman Md Abdur Rahman Khan. But he could not be reached by phone.

In a press briefing in the first week of January, Khan acknowledged a large amount of pending tax refunds.

"This is the taxpayer's rightful money. They often borrow at high interest to pay taxes, and making them run from office to office for refunds is deeply unjust," said the NBR chairman.

"Worldwide, filing a tax return is a celebration because taxpayers get refunds. Here, refunds

are rare due to the hassle involved. If the process is transparent and excess tax goes automatically to their bank account, compliance will improve, and more people will file returns."

He said the authority currently holds around Tk 4,000 crore in outstanding refund liabilities across taxes and VAT. "We have launched the VAT refund system, and the tax refund process will begin soon," he added.

In January, the NBR introduced an online system allowing VAT refunds to be credited directly to taxpayers' bank accounts.

A senior revenue official said, "The NBR is working to install software to automatically send refunds to taxpayers' accounts. Once it is ready, these difficulties will be resolved soon."

RMG exporters oppose

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In fiscal year 2022-23, imported yarn from India cost Tk 428.37 per kilogramme, yet the same quantity sold locally at Tk 389.18 per kilogramme. Rahman said spinning mills are running below capacity due to gas shortages, which limit their ability to meet demand.

He warned that withdrawing the bond facility would harm garment shipments. Apparel exports fell by 2.63 percent in July-December this fiscal year, with a 14.23 percent decline in December alone.

Rahman urged local millers to modernise production to diversify yarn types and meet buyer demand.

On Sunday, apparel exporters sent a letter to the finance ministry elaborating on their

concerns and mentioning almost the same demands they made yesterday.

At the press conference, garment manufacturers also proposed a number of alternatives to support the domestic spinning sector.

They suggested a 5 percent cash incentive for using local yarn to protect the \$25 billion invested in the primary textile sector from being undercut by cheaper Indian imports.

The exporters also urged the government to ensure adequate gas and power supply to industrial units, as most spinning mills are running at just 60 percent capacity due to utility shortages.

They called for corporate tax rebates for export-oriented yarn producers and low-interest loans to reduce production costs and improve competitiveness.

A commerce ministry letter to the NBR said that Bangladesh will need a two-stage transformation of garment items for entering key markets such as Europe, Australia, the UK, the USA, and Japan after graduating from least-developed country status in November.

To maintain GSP Plus privileges in the post-LDC era, local value addition will need to reach 40 percent.

Russia gifts 30,000

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"As a key global producer and supplier of mineral fertilisers, Uralchem recognises its responsibility to support food security in vulnerable regions," he added.

Mia Sattar, president of the Russian Friendship Society with Bangladesh, said yesterday's handover reflects the enduring friendship between Bangladesh and Russia.

He added that the contribution will strengthen farmers' capacity, improve food security, and deepen trust and partnership between the two countries.

According to official data, compared with the previous three years, rice production rose by 6 percent in fiscal year 2024-25, potato production by 14 percent, onion production by 22 percent, vegetable

production by 3.70 percent, and mustard production by 86 percent.

Alexander G Khozin, Russian ambassador to Bangladesh; David Thomas, acting deputy country director of WFP Bangladesh; and Dmitry Boldyrev, global head of sales at Uralchem, attended the event. Agriculture Secretary Mohammad Emdad Ullah Mian presided over the programme.

Stocks rise

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Meanwhile, Khondoker Rashed Maqsood, chairman of Bangladesh Securities and Exchange Commission (BSEC), said the commission will continue to support stakeholders for the welfare and growth of the capital market.

In a meeting with the newly elected leaders of the Bangladesh Association of Publicly Listed Companies (BAPLC) yesterday, he said the association plays an important role in developing and reforming the country's capital market.

He also stressed

the need for good governance, transparency, accountability, and protection of shareholders and investors.

"Everyone must do the right thing in their roles and fulfil their responsibilities properly to protect the interests of the country," he said.

Govt to sell Nassa Group

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Islam Mazumder, was arrested in October 2024 over murder case linked to the July uprising.

Media reports indicate that most of Nassa's operations have remained paralysed since the change

of government in August 2024, with factories shuttered and unpaid bank loans mounting to several thousand crore taka.

Earlier, the Bangladesh Financial Intelligence Unit alleged Mazumder's involvement in trade

Bangladesh Lamps PLC.			
Head office : House-22, Road-4, Block-F, Banani, Dhaka-1213 2nd Quarterly Financial Statements (October-December 2025) STATEMENT OF FINANCIAL POSITION (UN - AUDITED) AS AT 31 DECEMBER 2025			
As at 31 December 2025 Taka		As at 30 June 2025 Taka	
ASSETS			
Non-current assets			
Property, plant and equipment	126,705,835	133,737,308	
Intangible asset	41,806,912	44,13,465	
Right-of-use asset (ROU)	68,765,441	75,698,505	
Investment in shares at fair value:	491,235,553	422,449,892	
Investment at cost	88,527,133	88,527,133	
Fair value adjustment	402,708,420	333,922,759	
Loans and deposits	5,346,611	5,063,395	
Total non-current assets	733,860,352	681,062,565	
Current assets			
Inventories	669,495,264	712,553,513	
Trade and other receivables	184,978,318	252,993,482	
Advance, deposit and prepayments	48,527,417	36,554,877	
Advance income tax	504,543,853	486,465,123	
Cash and cash equivalent	111,012,077	26,472,005	
Total current assets	1,518,556,929	1,515,839,000	
TOTAL ASSETS	2,252,417,281	2,196,101,565	
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	105,278,770	105,278,770	
Reserves and surplus:	351,543,336	315,061,637	
Fair value reserve	342,302,158	283,834,345	
Accumulated retained earnings	9,241,178	31,227,292	
Shareholders' equity	456,822,106	420,304,407	
Non-current liabilities			
Deferred liability - gratuity payable	17,945,537	13,930,025	
Deferred tax liability	49,033,142	41,563,517	
Lease liabilities- Net off current portion	68,774,096	75,621,202	
Total non-current liabilities	135,752,775	131,314,744	
Current liabilities			
Lease liabilities- Current portion	13,797,010	13,215,138	
Short term finance	1,146,884,501	1,209,369,991	
Trade and other payables	209,177,347	166,587,875	
Other liabilities	43,043,531	18,557,957	
Unclaimed dividend	931,797	983,175	
Provision for tax	246,008,214	235,732,278	
Total current liabilities	1,659,842,400	1,644,446,414	
TOTAL EQUITY & LIABILITIES	2,252,417,281	2,196,101,565	