Abdul Hai Sarker

Most default loans are wilful, strong laws can recover 60%

Abdul Hai Sarker, chairman of Bangladesh Association of Banks, seeks stringent legal measures in budget

MD MEHEDI HASAN

Private commercial banks need stronger legal backing rather than financial support in the next national budget to restore confidence in the banking sector and protect depositors, according to the Bangladesh Association of Banks (BAB).

Around 90 percent of default loans are wilful defaults, and nearly 60 percent of those could be recovered through stricter legal measures, BAB Chairman Abdul Hai Sarker said in an interview with The Daily Star ahead of the national budget for fiscal year 2026-27.

Sarker, who is also chairman of Dhaka Bank and founder of Purbani Group, said weak laws and lengthy court procedures make loan recovery extremely difficult.

"In many cases, banks take months just to prepare cases and obtain court orders, while influential defaulters secure repeated delays or use political influence to stop asset seizures at the last moment," he said.

At the end of 2025, default loans in the banking sector stood at Tk 5.45 lakh crore, Finance Minister Amir Khosru Mahmud Chowdhury told parliament in April. The amount is equivalent to nearly 69 percent of the original national budget for the current fiscal year.

The finance minister told the House that banks had been instructed to strengthen their legal departments and recover at least 1 percent of their defaulted loan balances in cash by June 30 this year.

In the interview, Sarker argued that banks could recover up to 60 percent of bad loans if laws were strengthened and properly enforced.

He said the new budget should introduce stricter legal provisions so that absconding defaulters cannot appoint representatives to fight cases in court while remaining abroad.

On Wednesday last week, BAB met the finance minister to discuss the upcoming budget. At the meeting too, the association stressed the need for faster legal recovery measures and stricter enforcement. Banking reform was also discussed.

According to Sarker, the current government has inherited multiple challenges and needs time to stabilise the economy.

He said the country's economic condition can improve if the reforms proposed during the interim government are properly implemented through coordinated efforts.

Asked about the BNP-led government's commitment to banking reforms, the BAB chairman said it is too early to judge as the administration has been in office for only around three months.

He described the situation as "wait and see" and said a clearer assessment can be made after at least six months.

Against this backdrop, Sarker said the government should adopt a realistic and manageable budget for FY27 given the country's large fiscal deficit.

The size of the new budget is likely to be more than Tk 9 lakh crore, while revenue collection might reach Tk 6 lakh crore. The resulting Tk 3 lakh crore deficit would need to be financed either through foreign borrowing or borrowing from domestic banks.

Sarker said that excessive government borrowing from banks can place further pressure on the economy and the financial system.

Besides, he said the banking sector expects a more balanced corporate tax structure in the new budget.

Currently, banks face higher tax rates than many private and public companies, while neighbouring countries maintain comparatively lower corporate tax rates, he said.

He, however, added that given the government's current revenue shortfall, an immediate tax cut may not be practical.

> **The banking sector expects a more balanced corporate tax structure in the new budget. Currently, banks face higher tax rates than many private and public companies, while neighbouring countries maintain comparatively lower corporate tax rates. However, given the government's current revenue shortfall, an immediate tax cut may not be practical**

Instead, Bangladesh should focus on widening the tax net rather than increasing tax rates on existing taxpayers, he said.

Many registered companies and individuals still remain outside the tax system, according to Sarker.

He said the government could automatically identify potential taxpayers and improve tax collection by integrating services such as land registration, vehicle registration, utility bills, company registration and tax identification into a single digital platform.

The BAB chairman also emphasised building trust between taxpayers and tax authorities.

"Instead of imposing higher tax burdens on compliant taxpayers, the government should simplify tax procedures, recognise legitimate household and business expenses, and encourage voluntary compliance."

According to him, cultural and administrative reforms in tax collection would raise revenue more effectively over the long term than repeatedly increasing tax rates.

Speaking further on taxation, he said many businesses and vehicle owners have TIN numbers or company registrations but still do not pay taxes. "The authorities should identify them, engage with them, and ask why they are not paying taxes."

In the interview, the BAB chairman criticised the enactment of the Bank Resolution Act with debated changes, the merger of five troubled shariah-based banks, Bangladesh Bank's loan rescheduling and restructuring facilities for large businesses, and the government's factory reopening fund.

Sarker said Section 18(Ka) of the Bank Resolution Act allows former owners and directors of troubled or merged banks to regain control. According to him, the provision effectively rewards major loan defaulters and money launderers by allowing them easier repayment terms despite siphoning off large amounts of money abroad.

"How can former owners regain control by paying only 7.5 percent of the money? If these bank looters regain control of the banks, the sector will suffer further damage," he said.

Sarker also said the opinion of BAB, as a stakeholder, was not sought before the law was approved.

The BAB chairman also criticised the interim government's decision to merge five troubled banks. According to him, such major decisions should involve consultation with stakeholders.

"Before forcing mergers, the government should first stabilise troubled banks through financial support and confidence-building measures to protect public trust in the banking system," he said.

On loan restructuring and rescheduling facilities, Sarker said banks know their customers best through KYC (Know Your Customer) practices, but the central bank imposed blanket facilities without considering borrowers' backgrounds and repayment capacity.

The Dhaka Bank chairman said those measures increased pressure on banks, weakened discipline and encouraged large defaulters.

Referring to the government's Tk 60,000 crore stimulus package for the private sector, including Tk 20,000 crore earmarked for reopening closed factories, Sarker said financial support alone would not solve the problem.

"Factories shut down mainly because of weak demand, a lack of buyers, poor management or shortages of raw materials," he said.

Before providing funds, the government should conduct proper investigations through committees involving private-sector representatives, the Bangladesh Bank and relevant ministries to determine whether a factory is commercially viable, he added.

Speaking about the banking sector more broadly, the Dhaka Bank chairman said coordination between the sector and the current leadership of the central bank has improved because policymakers now have stronger practical business knowledge.

Criticising the central bank leadership during the interim government, he said public comments about weak banks have damaged confidence in the financial sector.

In his view, a central bank governor should act as a careful manager rather than make statements that can create panic among depositors and investors.

Ahsan Khan Chowdhury

Avoid new taxes on everyday food for ordinary people

Ahsan Khan Chowdhury, PRAN-RFL chairman, calls for consultation with businesses before making policy decisions

SUKANTA HALDER

The upcoming national budget should avoid imposing any new taxes on food products consumed by ordinary people, said Ahsan Khan Chowdhury, chairman of PRAN-RFL Group, one of the country's largest food and beverage companies.

"I respectfully request the current government not to impose any new taxes on ordinary consumers. A five-taka biscuit is not a luxury item; for many people, it is a basic necessity," he said in an interview with The Daily Star.

Chowdhury said any additional taxes on businesses ultimately increase costs for consumers.

"Whenever additional taxes are imposed on businesses, there is no option but to pass the burden on to consumers," he added.

He urged the government not to repeat past mistakes and called for greater consultation with businesses before making policy decisions.

"I am a businessman and a provider of jobs in the country. Before making decisions that affect our lives, please talk to us first and understand our difficulties," Chowdhury said.

"Just as we work with the aim of helping consumers, you should also take the same approach. I know the government has good intentions, but sometimes there may be a lack of information," he added.

"We sincerely urge the government not to place any tax burden on the poor. Instead, let us work together to keep taxes as low as possible and make the country more affordable and liveable."

INDUSTRY INCENTIVES AND TAX REFORMS

Chowdhury said balancing tax collection with industry-friendly policies is necessary to sustain economic growth, adding that past tax incentives had helped local industries expand.

He noted that taxes on refrigerators have increased from 8 percent to 35 percent despite such appliances being basic household products.

"If these benefits are withdrawn, we will not be able to supply appliances to consumers," he said.

He also warned that sharp price hikes, including a reported 30 percent increase in refrigerator prices, could reduce consumer demand significantly.

According to him, a low-tax, high-consumption approach would encourage spending and eventually improve the country's tax-to-GDP ratio.

He stressed that tax reforms should be designed carefully through consultations with economists, think tanks, the National Board of Revenue, and the private sector instead of being introduced hastily.

GREATER FOCUS ON AGRICULTURE

Chowdhury said agriculture should receive greater priority in the national budget, noting that support is currently concentrated mainly on fertiliser and diesel subsidies.

He called for a shift from traditional farming to value-added and technology-driven agriculture, similar to models followed by the Netherlands, to make the sector more modern and profitable.

He also suggested focusing on export-oriented "star products" such as tomatoes, mangoes, chillies, turmeric and coriander.

Highlighting the importance of agro-processing, he said value addition could significantly reduce post-harvest losses.

"Value addition, such as turning potatoes into fries or powder, can significantly reduce waste," he noted.

Chowdhury said PRAN-RFL Group established factories near farming areas to reduce transport-related losses. He cited a reduction in mango wastage from around 20 percent to nearly zero after factories were set up in Natore and Godagari.

He also mentioned a 300-acre modern fish farm in Moulvibazar using IPRS (In-Pond Raceway System) technology to support processed fish production and minimise post-harvest losses.

EXPORT DIVERSIFICATION AND LDC GRADUATION

On Bangladesh's graduation from least developed country status, Chowdhury stressed the need for free trade agreements with other countries to remain competitive in markets such as Asean.

He said Bangladesh has strong potential for export diversification and still has room for growth compared to economies like Vietnam.

According to him, people's mindset remains one of the main barriers to progress.

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He said PRAN-RFL Group is expanding into non-traditional export products, including shoes, handmade bags, furniture, electronics, bicycles, sleeping bags and toys, adding that the company now exports around 150 to 200 products.

Chowdhury also highlighted efforts to revive closed industries, including reopening a factory in Rajshahi after 35 years, creating around 5,000 jobs.

BUSINESS ENVIRONMENT IMPROVING

Chowdhury said PRAN-RFL Group operates across many sectors and aims to maintain steady growth while presenting itself as a unified organisation.

He said the business environment became difficult after the ouster of the Awami League government in August 2024 due to regulatory and labour-related challenges, but conditions have since improved.

"Overall, the situation is better than before," he said.

He added that the government has remained in regular contact with business leaders to understand their concerns.

According to Chowdhury, the country also faced challenges due to political transitions and conflicts in the Middle East, but the current administration is making efforts to move the economy forward.

He said the prime minister held a meeting lasting more than three and a half hours with business leaders.

"Immediate solutions were provided for issues that could be resolved. For other matters, responsibility was assigned to specific individuals," he said.

He added that discussions covered the NBR, ports, logistics, fuel, branding Bangladesh, future industries, exports and the overall business environment.

The prime minister also focused on agriculture, particularly development plans for North Bengal and increasing fruit production and region-specific crops for local and export markets.

FUEL PRICES, INFLATION AND EXPORTS

Chowdhury said that despite concerns over the US-Israel war on Iran, the government ensured fuel supply, allowing factories to continue operations.

He acknowledged that fuel price increases raise business costs but said such adjustments are part of economic reality.

To manage rising costs, he said the company reduced profit margins instead of fully passing the burden on to consumers.

According to him, producers, dealers and retailers have all shared sacrifices to maintain stable prices and ensure an affordable supply.

He also said rising raw material prices for products such as soap and detergent are creating additional pressure and stressed that controlling inflation and reducing government expenditure should remain priorities.

Chowdhury suggested shifting towards a consumption-based economy, citing India's approach of reducing VAT during economic crises rather than relying heavily on import duties.

He also highlighted high port-related costs, including miscellaneous fees and demurrage charges, and said improving truck logistics and lowering taxes and import duties would strengthen export competitiveness.

MIXED EXPORT PERFORMANCE IN MIDDLE EAST

On exports to the Middle East, Chowdhury said performance has been mixed.

He said sales in the United Arab Emirates dropped from previous monthly levels of around $2 top $3 million, while exports to Qatar and Kuwait were affected by shipping disruptions through the Strait of Hormuz.

However, business in Saudi Arabia remained stable, and operations in Oman continued without interruption.

Despite the challenges, Chowdhury expressed confidence in recovery, highlighting the adaptability of the workforce, which shifted its focus to handling alternative products such as eggs, onions and potatoes when needed.

He added that plans are underway to send an additional 300 skilled workers to Middle Eastern countries to support future growth.