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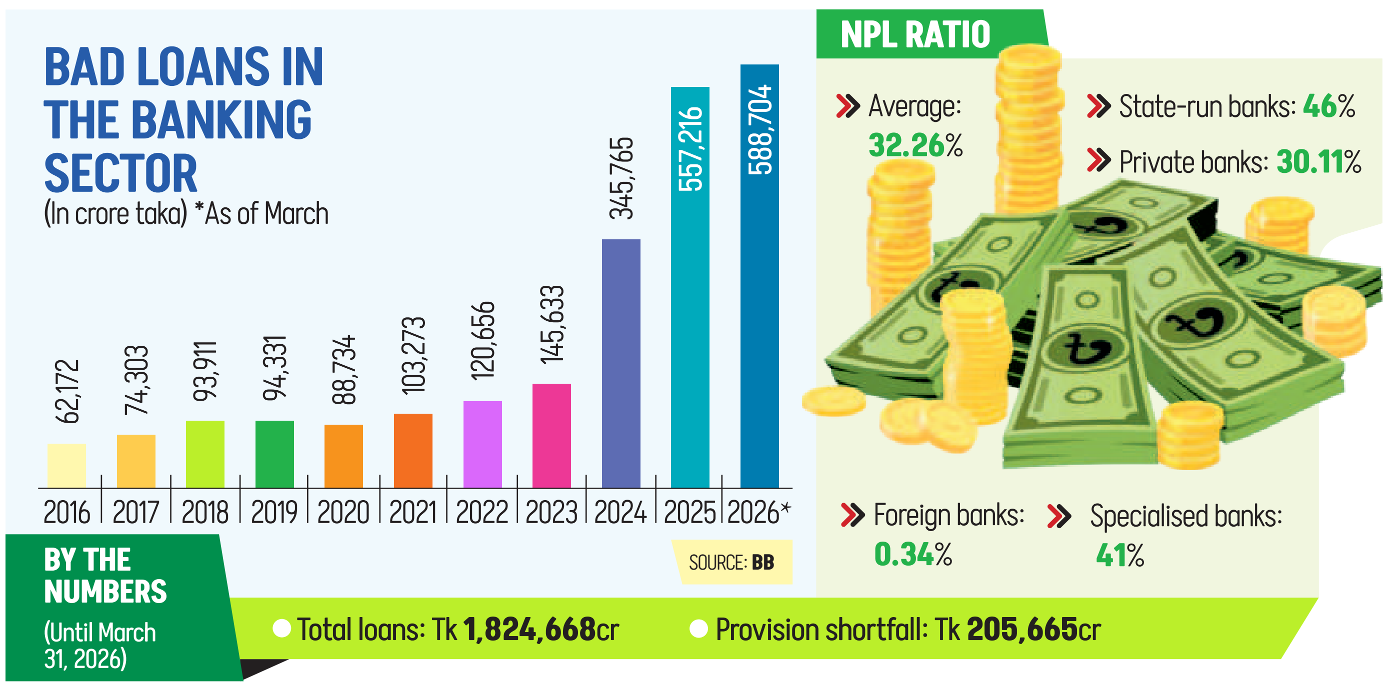
NPLs up by Tk 31,487cr in just three months

Nearly 94% of non-performing loans are classified as bad or loss, signalling weak repayment discipline among large borrowers



MD MEHEDI HASAN

Non-performing loans (NPLs) in the banking sector jumped by Tk 31,487 crore in the first three months of this year after a slight decline owing to the reclassification of rescheduled loans, lacklustre loan recovery, and overall economic slowdown.

At the end of March this year, total NPLs in the banking sector stood at Tk 588,704 crore, accounting for 32.26 percent of the total Tk 1,824,668 crore in disbursed loans, according to the latest data from Bangladesh Bank.

By the end of last year, the ratio of classified loans had dropped to 30 percent from 36 percent in September 2025, thanks to large-scale loan rescheduling under a special policy support programme by the BB.

Of the total NPLs, 94 percent falls into the bad and loss category, a level that economists say reflects not just economic stress but a breakdown of financial discipline among the country's most powerful borrowers.

"Loan defaulting has emerged as a damaging culture in the country," said Mustafa K Mujeri, executive director at the Institute for Inclusive Finance and Development (InM) and former BB chief economist.

"We are now seeing that even some of the country's largest business conglomerates have become loan defaulters," he said.

"These groups have received various forms of policy support from the government and Bangladesh Bank over the years, yet they still fail to repay their loans," added Mujeri.

The economist blamed the rising volume of NPLs on a lack of strict action against defaulters, pointing out that these conglomerates cite a range of global and domestic challenges to obtain policy support, but they do not use those facilities to settle their debts.

"Under loan rescheduling schemes, many of these borrowers have been granted up to 10 years to repay their loans, yet a number of them eventually default again," he said.

Instead of continuing to provide concessions to these defaulting borrowers, the authorities must take strict action against them immediately, Mujeri suggested, adding that otherwise the country's banking sector will face serious consequences.

Meanwhile, bankers also point out that some top borrowers and businesses have suffered losses due to weak demand amid high inflation and the economic slowdown caused by the war in the Middle East.

Many good loans are showing signs of stress, and the overall banking sector is going through a downturn, which is why NPLs may have increased, said Mashrur Arefin, chairman of the Association of Bankers, Bangladesh (ABB).

Arefin, also the managing director and CEO of City Bank, said when discussing the reasons for the spike in NPLs, either the policy support cases were overhyped, many borrowers could not make the required down payments, or external auditors did not agree with many of the weak cases during annual profit audits.

He added that some weak banks with newly formed boards decided to take higher provisioning hits once and for all, which also contributed to the increase.

According to BB, compared with a year earlier, bad loans increased by Tk 168,370 crore. At the end of March 2025, NPLs stood at Tk 420,334 crore, with a ratio of 24.13 percent.

Due to the high volume of defaulted loans in the banking sector, the provision shortfall stood at Tk 205,665 crore as of March this year, data shows.

A provision shortfall in banking refers to the gap between the funds a financial institution is legally required to set aside to cover potential losses from bad loans and the amount it actually has in reserve. When borrowers fail to repay, banks must absorb these losses by drawing on current profits or core capital.

NPLs in the banking sector have continued to rise since the fall of the Awami League-led government on August 5, 2024, as many businessmen fled the country and many of their businesses shut down, pushing up bad loans.

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Govt to unveil full-tenure tax roadmap

Tax-free income ceiling to hit Tk 4.5 lakh by FY31

MD ASADUZ ZAMAN

The government is likely to unveil its full-term tax plan on June 11, outlining income tax-free limits and tax rates for individual taxpayers up to the fiscal year 2030-31 (FY31), the final year of its tenure.

Under the plan, the tax-free income threshold is expected to gradually rise to Tk 4.5 lakh by FY31 in an effort to ease pressure on taxpayers amid persistently high inflation.

At present, individuals can earn up to Tk 3.5 lakh a year without paying income tax. This limit is set to increase to Tk 3.75 lakh in FY28 under the interim government's earlier two-year tax framework.

Finance Minister Amir Khosru Mahmud Chowdhury is expected to go further in his first national budget on June 11 by introducing a broader three-year predictable tax system running through FY31.

Under the proposed roadmap, the tax-free income threshold will rise to Tk 4 lakh from FY29 and remain unchanged through FY30.

Prime Minister Tarique Rahman approved the proposal in principle on May 14 during a high-level meeting at the Secretariat, according to finance ministry officials who attended the meeting.

"The government wants to introduce a predictable tax plan so that taxpayers can set their financial plans accordingly," a senior finance ministry official said, adding that the higher threshold would offer modest relief to lower-income earners.

However, economists and tax analysts have questioned whether the planned increases are sufficient given persistently high inflation.

TAX-FREE INCOME THRESHOLD

Tk 3.5 lakh in FY26	Will go up to Tk 3.75 lakh in FY27 and FY28	To reach Tk 4 lakh in FY29 and FY30	Will rise to Tk 4.5 lakh by FY31

"One positive aspect is that the government is providing predictability in tax policy. At the same time, it is making some adjustments for inflation, although we need to assess whether the increase fully matches inflation in percentage terms," said Towfiqul Islam Khan of the Centre for Policy Dialogue.

Others argue that deeper structural issues remain.

"While policymakers understand the political economy needs to raise the tax-free threshold, they are also constrained by institutional pressure to boost revenue collection. Ultimately, that consideration appears to be driving their decisions," Khan said.

"This is precisely why we have argued for separating tax policy from tax administration and revenue collection," he added.

Inflation has remained around 9 percent since March 2023, significantly eroding real incomes. In April, inflation stood at 9.04 percent, according to the Bangladesh Bureau of Statistics.

Amid rising living costs, economists and business groups have repeatedly called for a higher tax-free income threshold, with many proposing an increase to Tk 5 lakh.

"Globally, setting tax rates in advance helps with planning, but international best practice usually limits this to a two- or three-year window, along with an automatic inflation adjustment mechanism," said tax policy analyst Snehasish Barua.

He warned that extending fixed tax brackets until FY31 could create structural distortions in the tax system.

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Ctg customs to auction 102 abandoned containers

STAFF CORRESPONDENT, Ctg

The Customs House, Chattogram has put 102 containers of abandoned goods up for online auction as part of efforts to reduce congestion at the country's busiest seaport and improve operational efficiency.

According to a press release issued by the National Board of Revenue (NBR) on Monday, the goods will be auctioned through the e-Auction programme this month. The auction comprises 44 lots containing 102 containers of various products, including chemicals, machinery and spare parts, paper, freezers, generators, limestone, fabrics, transformers, quartz powder and household items.

The NBR said no reserve price has been set for the consignments, allowing bidders to compete freely.

The auction will be conducted entirely through a digital platform to ensure transparency and accountability. Interested buyers will be able to inspect the goods before submitting bids online through the customs e-Auction portal. However, bid security instruments and other required documents must be submitted physically.

The tender box for the auction will be opened at 11:00am on June 18.

According to data from the Chittagong Port Authority and the NBR, around 200,000 tonnes of imported goods stored in 8,965 containers were left abandoned at Chattogram Port between 2013 and 2025.

Importers abandon consignments for a variety of reasons, including declines in domestic prices, failure to submit original documents and obtain the required clearance permits, and unwillingness to pay fines arising from discrepancies or irregularities in import documentation.

Low-income families, women at heart of budget plan: Khosru

STAR BUSINESS REPORT

The upcoming budget for fiscal year 2026-27 will seek to widen economic participation by bringing traditionally overlooked groups into the mainstream economy, Finance and Planning Minister Amir Khosru Mahmud Chowdhury said yesterday.

Speaking at a pre-budget discussion organised by the Economic Reporters' Forum, he said the government aims to create greater opportunities for low-income households, farmers, artisans, cultural workers and women to contribute to and benefit from economic growth.

The minister described the budget as an effort to "democratise the economy", ensuring that the gains of development reach a broader segment of society rather than being concentrated among a few groups.

Particular emphasis has been placed on supporting women, especially homemakers, whose contributions to family welfare and the wider economy have largely remained outside formal economic structures, he added.

"The budget will also include measures aimed at strengthening livelihoods for farmers, artisans and cultural workers, while expanding opportunities for lower-income families to participate more actively in economic activities," he said.

To reduce out-of-pocket healthcare expenses for people across the country, a groundbreaking Universal Primary Healthcare project will be implemented nationwide through a collaboration between NGOs and the private sector, he added.

For instance, he said the government's planned Family Card and Farmers Card programmes could be managed by private firms and NGOs to minimise political influence, improve transparency and reduce leakages.

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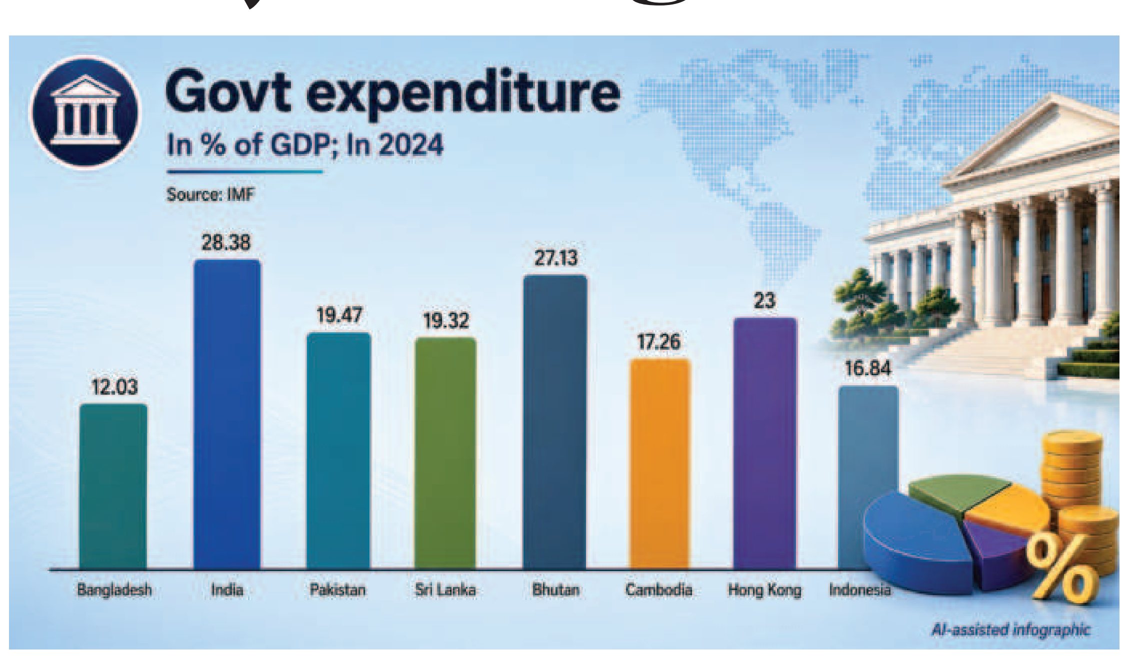
Is Bangladesh's budget really too big?

AHSAN HABIB



For more than a decade, the unveiling of the national budget has triggered a familiar chorus of reactions. Headlines routinely describe it as a "big budget", a "massive budget" or a "debt-driven budget", as if its size alone determines its significance.

Politicians, business leaders and ordinary citizens have all weighed in with sharp quips. Some dismiss it as nothing more than a "numbers game". Others argue that the headline figure looks "impressive" but says "little" about the government's actual spending capacity.

Yet a comparison with neighbouring countries tells a different story.

In terms of government expenditure as a share of gross domestic product (GDP), which is the value of all goods and services the country produces in a year, Bangladesh has one of the lowest ratios in South Asia and among countries scheduled to graduate from the least developed country club.

In simple terms, Bangladesh's budget is like a small water tank serving a rapidly growing city.

The culprit? Mainly weak revenue collection. Relative to the size of its economy, Bangladesh's tax take is among the lowest in the world.

But why does budget size matter in the first place?

Basically, government expenditure finances essential public services such as healthcare, education, law enforcement and public administration. Higher spending on healthcare and education generally benefits ordinary and marginalised people the most.

In 2024, Bangladesh's government expenditure stood at just 12.03 percent of GDP, according to International Monetary Fund (IMF) data.

In the same year, government expenditure accounted for 28.38 percent of GDP in India, 19.47 percent in Pakistan and 19.32 percent in Sri Lanka. The ratio was 27.13 percent in Bhutan, 17.26 percent in Cambodia, 23 percent in Hong Kong and 16.84 percent in Indonesia.

In neighbouring Myanmar, government expenditure in 2024 amounted to 23.4 percent of GDP. Among countries graduating from the LDC category, the ratio in that year stood at 33.55 percent in Senegal and 35.81 percent in the Solomon Islands.

Globally, only a small number of fragile economies, including Ethiopia, Haiti, Sudan and Yemen, recorded lower government expenditure-to-GDP ratios than Bangladesh.

According to Fahmida Khatun, executive director of local think tank Centre for Policy Dialogue (CPD), the country's limited public spending reflects weak revenue mobilisation rather than fiscal restraint. It is also linked to longstanding weaknesses in project implementation.

"But the main reason behind low government expenditure is low revenue collection," she said.

The National Board of Revenue (NBR) collected Tk 370,874 crore in fiscal year 2024-25, falling Tk 92,626 crore short of its revised target. The original target had been Tk 480,000 crore before being reduced by Tk 18,500 crore.

As a result, the tax-to-GDP ratio dropped to just 6.8 percent, one of the lowest among countries at a similar stage of development.

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