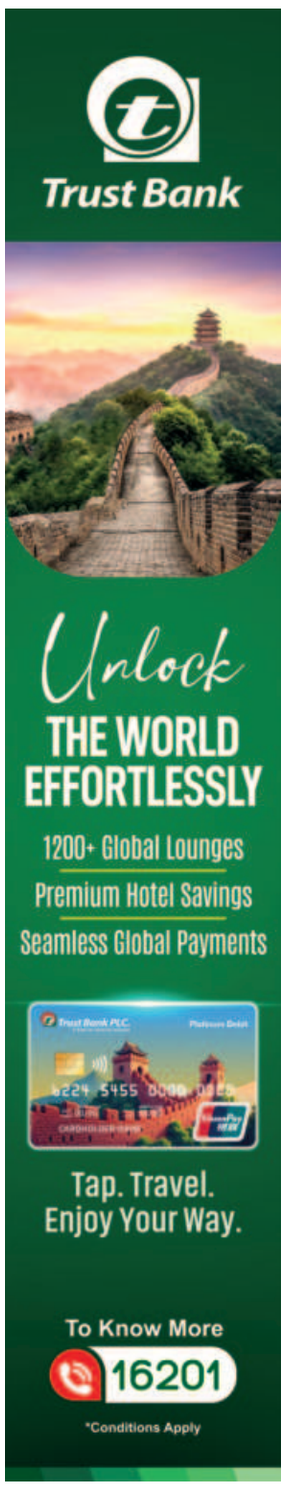
Business

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MONTHLY BUSINESS REVIEW B4
A glance at business, economic developments in September



WHAT NBFIs NEED TO GET BACK ON TRACK

BUSINESS AND BEYOND

FAIR RULES, SAME AS BANKS

- Give NBFIs a level playing field with banks
- Align loan restructuring rules with those for banks
- Give stronger NBFIs more regulatory flexibility



Mominul Islam
Chairman, Dhaka Stock Exchange

"Regulation should clearly distinguish between weak institutions and well-governed, financially sound NBFIs. Applying the same restrictions to both can prevent good institutions from growing.



Rizwan Dawood Shams
MD, IPDC Finance

"Some NBFIs are still performing well because of their strong corporate governance. IPDC, IDLC, DBH and United Finance have strong sponsors and shareholders behind them.



Kanti Kumar Saha
CEO, Alliance Finance

"Banks and finance companies are supposed to complement each other, but a competitive environment has been created. Some things have changed, but broader issues remain.



Asif Saad Bin Shams
AMD and chief risk officer, IDLC Finance

"The regulatory relaxation during Covid delayed recognition of bad loans. When it was withdrawn, defaults surfaced, and the relaxation eventually came back as a boomerang.

Clear product frameworks
- Set separate, dedicated product rules for NBFIs

Cheaper, steadier funding
- Open government deposits to NBFIs
- Restore mutual fund deposit windows
- Offer low-cost refinancing facilities

Deeper capital markets
- Develop corporate bond market for long-term funds

Tax breathing room
- Introduce temporary tax relief while the sector recovers

Non-banks losing out to unfair rules

Say top industry executives, as banks encroach on their turf while tighter rules on deposits and lending keep NBFIs boxed in

STAR BUSINESS REPORT

Although banks and non-bank financial institutions (NBFIs) operate under the same central bank, well-managed finance companies face tighter restrictions on deposits, lending and loan restructuring, while banks have steadily expanded into areas previously served by non-banks, top NBFI executives said yesterday.

They said the problem is no longer simply weak NBFIs or poor governance. Rather, regulations introduced in response to troubled finance companies are now making it harder for well-managed institutions to compete and expand.

Managing directors, CEOs and industry experts from the NBFI sector made the comments during a discussion titled "Challenges and Prospects of NBFIs" at the sixth episode of "Business and Beyond", organised by The Daily Star at its office.

The country has 35 NBFIs, holding Tk 52,356 crore in deposits and Tk 78,114 crore in outstanding loans and advances. The sector is now facing a crisis after several finance companies failed. The central bank is liquidating four, while 16 others are in distress.

"The crisis is partly caused by regulatory lapses and failures by auditors and rating agencies to fulfil their roles," said Mominul Islam, chairman of the Dhaka Stock Exchange (DSE) and a former managing director and CEO of IPDC Finance, where he served for more than a decade.

Amid the financial crisis in the NBFI sector, the government and the regulator have not provided liquidity support to troubled finance companies to help them repay depositors, unlike the support provided to shariah-based banks.

This has dented public confidence in non-banks, as depositors have seen troubled banks receive support while people who had money with failed finance companies continue to wait for repayment.

Bangladesh has 35 NBFIs, holding Tk 52,356 crore in deposits and Tk 78,114 crore in outstanding loans and advances

Citing the Finance Company Act 2023, Mominul said, "Rules have been framed in a way that NBFIs do not have wings to fly."

He said the Finance Company Act had been framed largely around failed institutions rather than creating room for stronger companies to expand.

"There was a time when the governance structure and regulatory oversight needed in the sector were absent," the DSE chairman said. "But later, regulation and regulatory oversight became so restrictive that NBFIs no longer have the ability to grow."

"Now the NBFI sector makes the news mostly for the wrong reasons," he said.

Mominul said stronger enforcement, rather than more stringent rules, is needed to address problems in the sector. "What we see is that the sector is overly regulated, which is why good firms cannot function properly," he said.

The discussants said rules on deposit collection, lending and loan rescheduling have made finance companies competitors of banks, even though they are supposed to play complementary roles.

The disparity is particularly visible in retail and long-term lending, where banks have expanded their loan limits while NBFIs remain restricted.

Mominul said a major weakness is the sector's limited access to long-term funding. Overreliance on banks has prevented NBFIs, housing finance and the capital market from flourishing, he said.

In India, bonds are a major source of funds for finance companies, with regulatory conditions defining capital, credit ratings and borrowing limits, he said. Bond issuance can take about two months there, whereas a Bangladeshi NBFI can take up to two years because of multiple approval requirements.

As a result, bonds account for less than 1 per cent of NBFIs' funding in Bangladesh, Mominul said.

He added that regulators should focus on setting clear rules and enforcing them rather than becoming involved in routine operational decisions.

"If the regulator is involved at every operational level, where is the responsibility for compliance?" he asked.

He also called for greater accountability from auditors and credit-rating agencies, saying repeated failures among institutions audited or rated by the same firms should not be treated as isolated incidents.

"Enforcement should be the main focus, not more regulation," he added.

In his speech, Kanti Kumar Saha, chief executive officer of Alliance Finance PLC, a Bangladesh-Sri Lankan joint venture, advocated for a level playing field so that non-banks can play complementary roles with banks.

READ MORE ON B2

Govt to launch employment exchange centre in Dec

STAR BUSINESS DESK

The government will launch an Employment Exchange Centre in December to connect jobseekers with employers and create more employment opportunities.

Ariful Haque Choudhury, minister for labour and employment, announced the initiative at a press briefing at his ministry's conference room in Dhaka yesterday, according to a press release.

The centre will build a comprehensive database of jobseekers through job and career fairs at colleges and universities across the country, the minister said.

At the same time, online and offline databases will be developed to identify workforce demand across industries and factories. The centre will then establish direct links between jobseekers and employers, he said.

The centre will initially be launched on a pilot basis in Dhaka in December, before gradually expanding to all divisions and eventually all 64 districts, according to the minister.

Speaking at the briefing, Mahdi Amin, adviser to the prime minister and the spokesperson of the Prime Minister's Office, said the government had pledged in its election manifesto to establish an employment exchange and organise career fairs across the country.

"The initiative is aimed at creating opportunities for educated people as well as those outside mainstream education who want to enter the job market," he said.

"Our demographic dividend is our country's main strength, and we want to harness the aspirations of the younger generation," Mahdi said.

He said the centre would also identify the skills required in different sectors in line with the demands of the modern economy.

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IDRA settles Tk 26.37cr in insurance claims in 3rd phase

STAR BUSINESS REPORT

The Insurance Development and Regulatory Authority (IDRA) has overseen the disbursement of Tk 26.37 crore in insurance claims to 7,641 policyholders in the third phase of a payout initiative aimed at rebuilding public trust in the insurance sector and protecting policyholders' rights.

The payments were handed over to claimants yesterday at IDRA's office in Motijheel, according to a press release from the authority's public relations department.

Claims were settled directly at IDRA's office in the first two phases as well, reflecting the regulator's priority of settling valid claims and protecting customers' interests, the release said.

The authority arranged funds from various sources to settle long-pending claims

The authority arranged funds from various sources, including the insurers' assets and government securities, to settle long-pending claims.

In the first phase, Tk 14.51 crore was paid to 2,549 policyholders of BAIRA Life Insurance, Fareast Islami Life Insurance, Golden Life Insurance, Homeland Life Insurance, Padma Islami Life Insurance, Progressive Life Insurance and Sunflower Life Insurance.

In the second phase, Tk 23.03 crore was paid to 5,868 policyholders of Padma Islami Life Insurance, Homeland Life Insurance, Fareast Islami Life Insurance, Sunflower Life Insurance and Sunlife Insurance.



WORLD INVESTOR WEEK

Govt aims to pull capital market out of crisis: Khosru

STAR BUSINESS REPORT

Finance and Planning Minister Amir Khosru Mahmud Chowdhury said stock exchanges and market intermediaries had failed over the past decade, contributing to the capital market falling into the same ditch as the economy.

"Now the government is lifting the economy and the capital market back up from the ditch," the minister said yesterday at the inaugural ceremony of World Investor Week, organised by the Bangladesh Securities and Exchange Commission (BSEC) at the Krishibid Institution in Dhaka.

The Bangladesh capital market had never received proper attention in the past, he said.

After independence, former president Ziaur Rahman opened the Dhaka Stock Exchange and created opportunities for mutual funds, which were far-reaching initiatives, but the momentum was not sustained, he said.

Subsequently, the capital market did not receive the comprehensive support it needed, ranging from policy measures to other forms

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Why fewer than 1% people in Bangladesh invest in stocks

AHSAN HABIB

Stock market participation remains low in Bangladesh, with around 17 lakh beneficiary owner (BO) accounts against a population of nearly 18 crore, representing less than 1 percent.

NEWS ANALYSIS

However, the number of BO accounts does not reflect the actual number of investors, as many maintain multiple accounts to hold shares, mutual funds, bonds and other securities in electronic form.

BY THE NUMBERS

17 lakh BO accounts for 18 crore people	Actual investor participation below 0.1%	Stock participation: 6% in India, 26% in Nepal	BO accounts topped 33 lakh before 2010 crash	Only 10-15 companies deliver good returns

Industry insiders estimate that the actual number of people investing in the stock market is no more than 2 lakh. If so, participation could be below 0.1 percent.

The low number of BO accounts in a country with more than 19 crore bank accounts reflects people's limited appetite for stocks, mutual funds and bonds.

A comparison with neighbouring Asian countries highlights how far Bangladesh lags behind. Around 6 percent of India's population participates in the stock market, while the figure is as high as 26 percent in Nepal. However, India's 6 percent represents more than 10 times Nepal's 26 percent in absolute numbers.

In developed countries, the proportion of people

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