DBH targets semi-urban markets for housing loans

Bangladesh's mortgage market has significant potential, particularly as financial institutions look beyond established urban centres to reach a wider customer base.

Nasimul Baten
Managing Director and CEO of DBH Finance PLC



The lender sees significant potential in expanding housing finance nationwide, its CEO says in an interview with The Daily Star

JAGARAN CHAKMA

DBH Finance PLC plans to expand its housing finance business beyond major cities, targeting semi-urban markets to reach new borrowers and tap the country's largely underdeveloped mortgage market.

DBH Finance PLC aims to expand its branch network from 19 to at least 25 by the end of next year, targeting promising semi-urban markets while keeping housing finance at the core of its operations, said managing director and CEO Nasimul Baten.

"We want to expand our geographical reach, particularly in semi-urban areas where there is business potential," he told The Daily Star in an interview marking the company's 30 years in business.

Housing finance will continue to account for 70 to 80 percent of the company's operations, he said, indicating that DBH intends to strengthen its core business rather than diversify into unrelated financial services.

The move comes as Bangladesh's mortgage market remains largely untapped. Housing loans account for less than 3 percent of the country's gross domestic product, compared with around 13 percent in India, suggesting considerable room for growth in long-term housing finance.

Nasimul said the market had significant potential, particularly as financial institutions looked beyond established urban centres to reach a wider customer base.

DBH has financed more than 65,000 families over the past three decades, disbursing approximately Tk 20,000 crore in housing loans during that period.

It has kept its non-performing loan (NPL) ratio below 1 percent throughout its history. At the end of 2025, the ratio stood at 0.84 percent, up from around 0.58 percent earlier.

The company provides financing for apartment purchases, home construction and renovation, with repayment tenures of up to 25 years. Its average loan size is around Tk 35 lakh nationally and Tk 40 lakh in Dhaka.

UNTAPPED DEMAND BEYOND MAJOR CITIES

The planned expansion reflects an opportunity to extend formal housing finance to households outside the country's major metropolitan areas.

While Dhaka remains the largest centre of housing demand, semi-urban areas are emerging as potential markets as residential development and demand for formal housing loans spread beyond established city boundaries.

However, the commercial viability of expansion will depend on local income levels, property prices, the availability of suitable housing projects and borrowers' ability to make regular repayments.

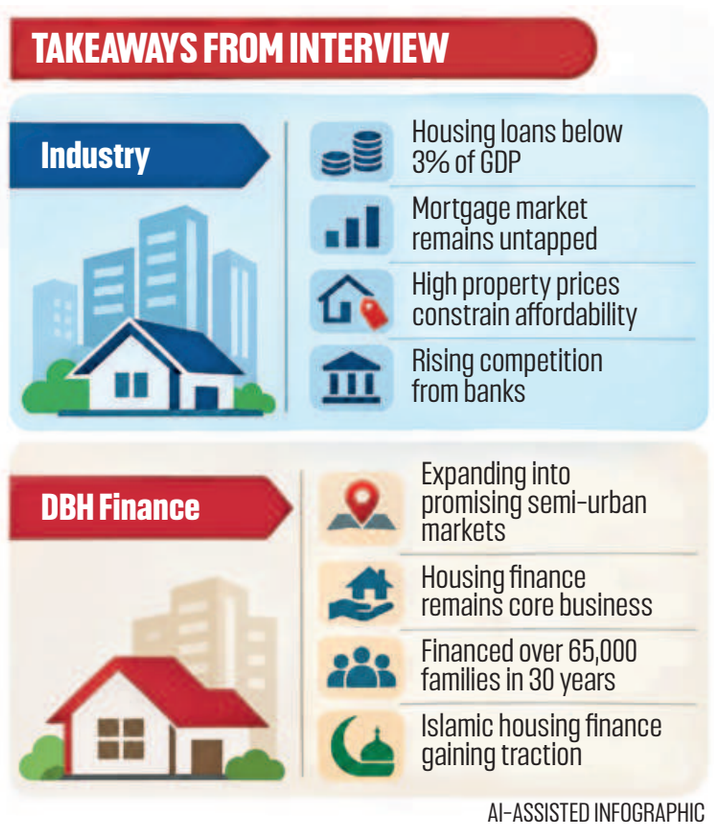
Nasimul said DBH would prioritise areas with adequate business potential rather than expand simply to increase its branch count.

REACHING BORROWERS WITH INFORMAL INCOME

One of the major challenges in expanding housing finance is assessing borrowers whose earnings are not fully reflected in formal salary statements or tax documents.

This is particularly relevant when financial institutions seek to reach entrepreneurs, small business owners and self-employed people whose income structures differ from those of salaried employees.

Over the past four years, DBH has started assessing informal income to reach borrowers who have the financial capacity to repay loans but cannot demonstrate it through conventional documentation.



AI-ASSISTED INFOGRAPHIC

Its officials visit businesses, examine transactions and estimate sales and profits to assess prospective borrowers' repayment capacity.

The company also uses machine-learning tools to support credit assessments, drawing on its experience with more than 65,000 borrowers. However, final lending decisions rest with its credit committee.

Nasimul said lending decisions were based primarily on borrowers' repayment capacity rather than the value of mortgaged property.

FUNDING COSTS POSE A CHALLENGE

Specialised housing finance companies face growing competition from commercial banks, which have access to cheaper funds.

DBH mainly finances its lending through deposits from households and corporates. Unlike banks, finance companies cannot mobilise low-cost current and savings deposits and depend largely on more expensive fixed deposits.

"This is uneven competition for us because our cost of funds is higher, while we are competing for the same set of customers," Baten said.

To diversify its funding sources, DBH issued a zero-coupon bond in 2022 and an affordable housing bond with the International Finance Corporation in 2024.

AFFORDABLE HOUSING REMAINS A CHALLENGE

High property prices and construction costs remain major obstacles to expanding housing finance.

An apartment in Dhaka can cost Tk 80 lakh to Tk 1 crore. This puts homeownership beyond the reach of many households earning Tk 50,000 to Tk 60,000 a month.

Citing an International Finance Corporation survey conducted in 2022, Nasimul said around 70 percent of Dhaka's population lived in rented accommodation.

He called for public-private partnerships involving government land, lower registration costs and a revival of Bangladesh Bank's housing refinance scheme to support affordable housing.

Smaller apartments measuring 600 to 700 square feet could offer middle-income families a more realistic route to homeownership.

DBH introduced Islamic housing finance in 2023, which now accounts for around 25 percent of its business. Under the arrangement, customers gradually purchase the financier's share of a jointly owned property while paying rent.

Nasimul said housing finance would remain the company's core business as it expanded into markets with sufficient growth potential.

What happened to Bangladesh's growth story?

MAMUN RASHID

For almost a decade, Bangladesh was celebrated as an economic success story. BBS reported growth of 8.15 percent in FY2018-19, and international institutions praised the country's performance. Yet private investment stagnated, productivity remained weak, banks were vulnerable and educated young people struggled to find jobs.

BBS's provisional estimate puts growth at 4.14 percent in FY2025-26, while the World Bank projects 3.4 percent in FY2026-27. The message is clear: growth momentum has weakened. This is not a sudden collapse. The slowdown reflects structural weaknesses accumulated over many years, often obscured by impressive headline figures. Bangladesh's national accounts have faced questions over data quality. Although BBS rebased its GDP series to 2015-16, measuring informal activity remains difficult. Informal employment accounts for 84 percent of total employment. Previous growth figures may not have reflected conditions experienced by businesses, workers and households. Statistical reform is essential.

Ready-made garments and remittances have driven Bangladesh's progress. The garment industry created millions of jobs, but exports remain concentrated in low-value products. Competitors have moved into design, technology and higher-value manufacturing, while Bangladesh has struggled to climb the value chain. Rising costs and changing trade policies add pressure. Bangladesh received a record $35.56 billion in FY2025-26, but has few channels to turn diaspora savings into productive investment. During the foreign exchange crisis in November 2024, reserves under the IMF's BPM6 methodology fell to about $18.6 billion, exposing the risks of import dependence and limited export diversification.



Bangladesh needs better-quality growth driven by productivity, competitiveness and strong institutions, not merely a return to headline growth rates alone

Banking weaknesses remain a constraint. Politically influenced lending, poor governance and weak loan recovery have undermined banks. The World Bank reported that non-performing loans reached 33.2 percent of banking sector loans in June 2026. Private sector credit growth fell to 4.17 percent in September 2026, its lowest in over three decades. With inflation above 8 percent, real credit growth has turned negative. Entrepreneurs face high borrowing costs, while viable firms struggle to secure working capital. Cleaning balance sheets, strengthening supervision and holding wilful defaulters accountable are essential.

Three areas need attention. Government revenue was 8.3 percent of GDP in FY2025-26, limiting spending on education, healthcare and infrastructure. A broader tax base and better compliance are vital. Gas shortages, transmission constraints, high costs and port inefficiencies undermine investment. Youth unemployment reflects a mismatch between graduates' qualifications and employers' needs. Technical training and stronger industry-academia links are essential.

Bangladesh must restore institutional credibility, strengthen BBS and ensure Bangladesh Bank can supervise financial institutions without political interference. Rebuilding the investment environment is important. Raising private investment from 22.48 percent of GDP in FY2024-25 towards 30 percent over the medium term requires predictable regulation, enforceable contracts, reliable energy, efficient logistics and access to finance on commercial terms. Export diversification, technology adoption and productivity must become development priorities.

Bangladesh has a young population, an entrepreneurial community, a hardworking diaspora and a manufacturing base. But potential alone cannot generate prosperity. Sound institutions, productive investment and quality jobs are essential. The question is whether Bangladesh can build an economy driven by productivity, competitiveness and institutional strength rather than headline numbers. It needs not simply to regain its previous growth rate, but to create better-quality growth, more jobs and wider opportunities.

The writer is an economic analyst and founding managing partner of PwC Bangladesh

India doubles rice sale target as price concerns loom

REUTERS, *Mumbai*

India has doubled its target for rice sales to private traders under its open market scheme to 5 million metric tonnes for the 2026-27 financial year to bring down prices that are rising on concerns over production, the government said on Friday.

India's rice production is set to fall this year for the first time in a decade, and by the most in nearly 20 years, as below-normal rainfall during the crop's maturation period threatens to cut yields, industry officials told Reuters.

New Delhi has allowed the southern states of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana to impose stock limits on rice and paddy until January 31, 2027, to ensure adequate supplies, curb hoarding and keep prices in check, the government said in the statement.

The government has already sold 2.5 million metric tonnes of rice to private buyers under the scheme this year, compared with 1.1 million metric tonnes during the corresponding period last financial year.

The government aims to ensure adequate rice supplies in the market and curb hoarding and black marketing.

US stocks always rise after midterms. Is this time different?

REUTERS, *Orlando, Florida*

The market meltdown following the Republicans' electoral drubbing on Tuesday could signal a rough year ahead for Wall Street. Yet history shows that US stocks typically rise in the year following midterm elections, and usually by quite a bit.

But if US President Donald Trump's second term has taught us anything, it is that many of the economic assumptions and market playbooks that shaped investor thinking for decades may no longer apply.

The Misinformation Monitor newsletter rounds up international misinformation narratives, with a "Real or Fake?" quiz in every edition. Sign up here.

So as the dust settles on the landmark midterms, the question is: is this time different? Investors' immediate reaction to the Democrats' thumping victory was certainly eye-opening — Wall Street shed $3.2 trillion and US chip stocks plunged 12 percent in their second-biggest fall on record on Thursday — amid worries that the Democratic-controlled Congress could slow the breakneck buildout of AI data centers.

Is this nervousness a sign of things to come?

If history rhymes, the outlook for the year after a midterm should be positive. In the 12 months after every midterm election since 1950, the S&P 500 has risen, gaining around 15 percent on average.

But the stock market rises over almost any 12-month period, one might argue. That's true, which makes a deeper dive into the data essential.

Since World War Two, the S&P 500 has risen in calendar years 71 percent of the time, posting an average gain of just over 9 percent and a median rise of 11.6 percent, according to analysts at Deutsche Bank.

So what about the 12 months after a midterm election? Between 1946 and 2022, the market was up 100 percent of the time after the vote, posting an average gain of 14.4 percent and a median return of 13.7 percent. That's a roughly 4- to 5-percentage-point advantage on average and around 2 points at the median.

What accounts for this? Partly, it's because of what typically happens before the midterms. The S&P 500's average rise in midterm election years since 1949 has been only 8.4 percent, according to Keith Lerner, chief investment officer at Truist Wealth Advisory. Uncertainty around the vote, balance-of-power shifts and policy implications builds ahead of the election and can weigh on returns.

After the vote, this uncertainty is, in theory, removed, while divided government and political gridlock reduce the likelihood of major, radical policy changes. Investors typically like that.

Lerner also notes a remarkable curiosity that helps explain the post-midterm outperformance. Since 1950, the US economy has never been in recession during the third year of a presidential term, that is, the calendar year after the midterms.

Lerner calculates that the S&P 500's average return in these years is 20.9 percent, significantly higher than the average in years one, two, and four across presidential cycles. While there is no single catalyst, stimulative fiscal policy enacted in the first two years often takes time to filter through, while Federal Reserve rate hikes historically just tend not to bite in that window.



A general view of the floor of the New York Stock Exchange in New York City. Investors' reaction to the Democrats' thumping victory was eye-opening as Wall Street shed $3.2 trillion on Thursday. PHOTO: AFP/FILE

World food prices dip in October

REUTERS, *Paris*

World food prices edged lower in October as weaker import demand contributed to monthly declines in cereal, dairy and meat prices, but were still nearly 6 percent higher than a year earlier, the United Nations' Food and Agriculture Organization said on Friday.

The FAO Food Price Index, which tracks monthly changes in international prices for a basket of food commodities, averaged 133.9 points in October, down from a revised 135.6 in September.

The index was 5.9 percent higher than a year earlier, but remained 16.4 percent below its March 2022 peak.

Lower wheat, maize, dairy and meat prices cut food costs, while sugar hit a near two-year high for a fourth straight month

FAO's cereal price index fell 4.5 percent from September and was 12.6 percent lower than a year ago, as wheat and maize quotations declined. Wheat prices eased on weak import demand and improved production prospects, especially in Argentina.

"Expectations of easing constraints on Black Sea export flows added to the downward pressure on prices, although continued disruptions to Black Sea logistics limited the decline," FAO said in a statement.

Maize prices also eased after reaching a three-year high in September, pressured by the US harvest, expectations of ample supplies in South America and renewed prospects of easing tensions in the Black Sea region.

Vegetable oil prices edged up 0.3 percent, as higher soybean and sunflower oil prices more than offset a fall in rapeseed oil prices.

Sugar prices rose 6.6 percent, their fourth straight monthly increase, to the highest level since December 2024, after rainfall disrupted harvesting in Brazil. They were now 28.8 percent above a year ago.