

# Loans won't be considered 'at risk of default' if 50% instalment paid by Dec-Bangladesh Bank

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**The Daily Morning Voice Online Desk:** Bangladesh Bank has allowed deferred payment, half of the instalment of the term loan (industrial loan) for the last quarter (October-December) of this year – to reduce classified loan volume. A classified loan is a bank loan that is at risk of default. The central bank gave the privilege to facilitate big borrowers. Nothing has been said regarding small and individual borrowers in the circular, though the income of small borrowers decreased due to the impact of Russia-Ukraine war and domestic inflation.

The Banking Regulation and Policy Department (BRPD) of Bangladesh Bank issued a circular regarding “debt classification” today and sent it to the top executives of banks for immediate execution. The circular stated that if half of the loan instalments (50 percent) are paid by December, of the last quarter of this year, the loans would not be marked as “classified”. Earlier, minimum 75 percent of a loan instalment had to be paid to avoid being declared “classified”. “Due to the prolonged Russia-Ukraine war situation, its long-term negative effects have increased the cost of production in the industrial sector. As a result, the real income of the borrowers has decreased,” the circular mentioned. For this reason and in order to keep the economic activities of the country dynamic and to make it easier for the borrowers to pay the loan instalments, the central bank has relaxed loan repayment.

The instalments or unpaid portion of the instalments due from April to December, 2022 of the term loans will be payable in equal instalments (monthly and quarterly) within 1 year after the expiry of the predetermined period of the existing loan, the circular stated. However, on the basis of the banker-customer relationship, instalments can be rescheduled and collected as per the new schedule, taking into consideration the remaining tenure and extended 1-year period. Besides, other instructions of earlier circulars in this regard will remain unchanged.

At present, the record amount of defaulted loans in the banking sector has increased to more than Tk 1.34 lakh crore, which is 9.36 percent of the total debt. This is the highest number of defaulted loans so far in the country. According to Bangladesh Bank, the total debt status of the banking sector at the end of September 2022 stood at Tk 14.36 lakh crore. In the second quarter i.e. at the end of June this year, the total disbursed loan of the banking sector was Tk 13.99 lakh crores. Out of this, the default amount was Tk 1.25 lakh crore, which is 8.96 percent of the total disbursed loans. In the three months from July to September, defaulted loans increased by Tk 9,139 crore.