

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	BUY TK	EUR	GBP	CNY
▲ 1.69%	▲ 1.41%	\$1,941.50	\$39.83	▲ 0.04%	▲ 0.74%	▼ 0.08%	▲ 0.79%	83.95	98.18	108.14	12.06
5,011.30	8,602.59	(per ounce)	(per barrel)	38,854.55	23,406.49	2,490.09	3,260.35	84.95	101.98	111.94	12.68

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## Small factories in big troubles

Most apparel units are struggling to reopen

REFAYET ULLAH MIRDHA

Small garment factories in Bangladesh are finding it tough resuming operations following the prolonged Covid-19-induced layoff even though work orders from international buyers are slowly making a comeback, according to industry insiders.

"I finally reopened my factory on August 20 after closing it down in April due to financial constraints," said Tariqul Islam, managing director of All Weather Fashions. "I started sub-contracting and now hope to receive direct work orders," he added.

Attempting to curb the spread of the coronavirus, the government directed all manufacturing plants to run their operations while maintaining social distancing.

Previously, it had brought about a two-month nationwide shutdown, suspending nearly all types of economic

activities, public transportation and public gatherings.

These conditions made it difficult for most businesses, particularly small companies, to register a decent turnover, forcing many to shutter their operations due to capital shortages.

Also garment factory owners and trade unions are yet to reach consensus regarding the reopening of some factories. These factories had not cleared dues of workers when they had suspended operations.

The owners are solely for a resumption of operations of those factories while the unions demand that the dues be paid first.

Meanwhile, certain units have not received work orders directly from international retailers or brands due to their poor compliance with regulations.

As a result, most factories which have already resumed operations or are in the process of doing so are relying on bigger units for work orders on a sub-contractual basis.

About 300 small and medium garment factories were closed down due to the coronavirus fallout, causing a \$1 billion loss in the sector's annual export value while 50,000 workers lost their jobs, according to data from the Bangladesh Garment Manufacturers and

**AT A GLANCE**

- More than **300** small factories were closed
- The closed factories facing difficulties in reopening
- The export value of the closed factories is nearly **\$1 billion** a year
- More than **50,000** workers lost their jobs due to closure
- Many of the closed factories already reopened
- Most of the small closed factories are dependent on sub contracting
- Small factories face difficulties in receiving funds from stimulus packages
- Retailers demand unusual price discounts from them

Exporters Association (BGMEA).

The Daily Star approached five separate small factory owners for comments but they all refused to elaborate on the matter.

One of them, asking not to be named, said apart from the Covid-19 fallout, the most important factors to consider were the sector's cash crunch, lack of consistency

in incoming work orders, poor prices and "barriers" created by trade unions.

Smaller units, which employ about 500 to 600 workers each, could not avail low interest loans from the government's stimulus packages owing to their poor transaction records or reputation.

However, banks are gradually taking the risk of allowing certain enterprises to borrow from the fund.

"Most of those factories used to operate on a sub-contractual basis before they were closed," said Md Rezwana Selim, a BGMEA director who mainly monitors the labour issues and factory closures.

Besides, factories are only denied disbursements from the stimulus packages if they are noncompliant or cannot fulfil the contractual obligations to securing a loan from the Tk 20,000 crore fund, he said.

Many of the factories that closed down are unable to resume operations at this point, said Selim.

Some of these factories are owed money by their international business partners, who usually delay the payments.

Typically, local suppliers sell goods to foreign buyers stipulating that dues must be cleared within a 90-day timeframe as per the letter of credit.

However, importers are now demanding payment deferrals of up to 210 days and abnormal discounts from their suppliers.

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## BJMC sells jute sacks at lower than official rate

SOHEL PARVEZ

Questions have arisen over Bangladesh Jute Mills Corporation's (BJMC) decision to sell 100,000 bales of jute sacks at a price lower than the official rate as it is set to deplete the country of nearly Tk 8 crore in revenue.

The corporation charged Dubai-based Taif International \$87 for every 100 of these jute bags, which are known as Standard B Twill, which is \$3 shy of its officially declared price of \$90.

The total value of the sale stands at \$26.1 million.

The deal took place on July 30, a day before the beginning of Eid-ul-Azha vacation and it was done without the knowledge of the BJMC's 87 listed local buyers, who usually export 80 per cent of jute goods churned out by the state-owned mills.



"We came to know about it after the Eid vacation. The BJMC should have informed us before selling the jute goods and given us the scope," said Sajjad Sohel, chairman of the Bangladesh Jute Goods Exporters' Association (BJGEA).

He said the BJGEA members had demanded a cut in the price but the state agency did not pay any heed.

The sale took place a month after the government shut its 25 jute mills, offering a golden handshake to nearly 25,000 permanent workers, and at a time when demand for jute bags is picking up in Sudan just ahead of its crop harvesting period.

The African nation is the key buyer of Standard B Twill, availing roughly 200,000 bales of jute bags from Bangladesh's public and private mills to pack grains.

Sohel said the BJGEA members were buying every 100 jute bags for \$95 to export to Sudan.

The BJMC said the jute bags in question were produced over a period since 2016 and the stock stood more than 100,000 bales because of sluggish sales.

In a letter to the textile and jute ministry last month, the corporation said Taif International wanted to buy 100,000 bales at \$85 per 100 bags initially. Later, both parties settled at \$87.

As a result of selling the sacks below the official rate, the government will be deprived of nearly Tk 8 crore, said the BJGEA in a letter to the Federation of Bangladesh Chambers of Commerce and Industry on August 23.

"The BJMC would have benefited had they consulted the BJGEA before selling the whole stock," said Sohel.

BJMC Chairman Md Abdur Rouf said the board fixed the price.

He said the jute bags had lost weight and was prone to lose more had they been kept in storage some time more. Besides, mills were shut and there were incidents of theft in some mills.

"We have to consider that reality too," he said.

"Would the quality deteriorate too much if the BJMC holds the goods for three more months?" asked Sohel.

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## Agent banking on a roll

MD FAZLUR RAHMAN

Overall deposits with agent banking accounts doubled in July compared to the same period a year ago as more and more people are keeping faith with the new banking model.

Deposit balance stood at Tk 5,251.3 crore in July last year and it rose to Tk 10,788.2 crore in the same month this year, Bangladesh Bank data shows.

Loan disbursement increased by 220 per cent to Tk 94.9 crore in the same period while utility bill payments were up 23.45 per cent to Tk 93.7 crore.

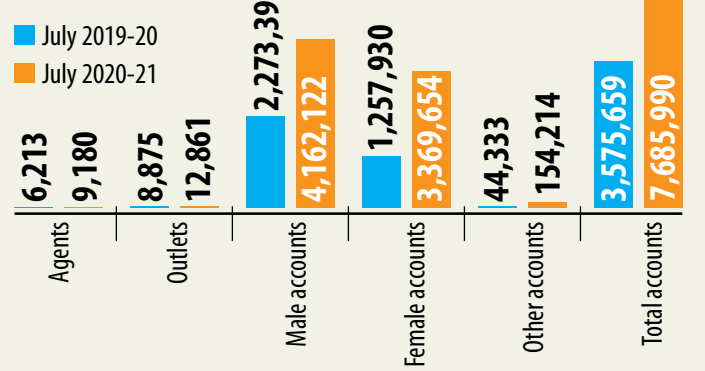
Migrant workers used the service to send home Tk 3,327.9 crore in the first month of the current fiscal, up 422 per cent from Tk 637.1 crore year-on-year.

The number of transactions rose 90 per cent to 76,61,508 in July compared to the same month in 2019 and transaction volume swelled by 151 per cent to Tk 28,415.3 crore.

The number of agents jumped by 47.75 per cent year-on-year to 9,180 in July while the total number of outlets reach 12,861 at the end of July this year, up 44.91 per cent compared to the same month a year ago, central bank data shows.

### AGENTS, OUTLETS AND ACCOUNTS

SOURCE: BB



As of July, there were 76,85,990 agent banking accounts in Bangladesh, which is 115 per cent higher than in the same month last year.

The number of accounts held by men advanced 83 per cent to 4,162,122 and the number of accounts owned by women went up by a staggering 167.87 per cent to 3,369,654 in July.

"Agent banking is increasingly establishing itself as a good model. People are using it at ease," said Md Arfan Ali, managing director of Bank Asia, who pioneered

the new banking model in the country in January 2014.

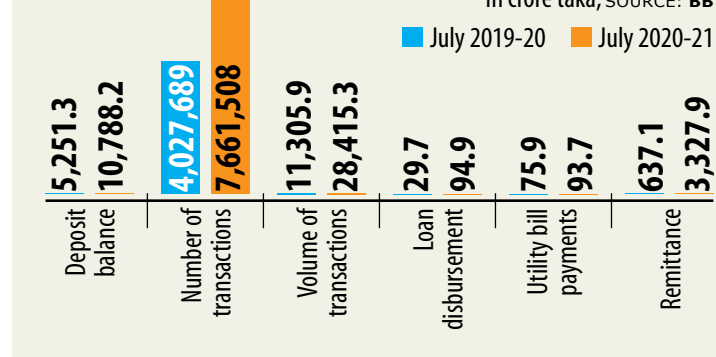
He credited banks' presence within the reach and the opportunity to secure banking services as per their needs for the steady growth of agent banking.

Barring a few exceptions, outlets have remained open during the pandemic, taking people's confidence in the agent banking to a higher level, Ali said.

He said when Bank Asia rolled out their agent banking service, two things were kept in mind:

### Use of agent banking growing

In crore taka; SOURCE: BB



promoting entrepreneurship and taking banking services to the people's doorsteps.

The owners of outlets are also driven to render good service because their success would also depend on attracting customers and retaining them, Ali said.

The central bank introduced agent banking to provide a safe alternative delivery channel of banking services to the underprivileged, under-served population who generally live in remote locations that are beyond the reach of the traditional banking network.

It has so far issued licences to 28 banks for operating agent

banking activities. Of them, 23 are in operation.

Recently, Prime Bank and NRB Global Bank secured agent banking licences from the central bank.

Agent banking has allowed the country's financial institutions to expand their businesses and accelerate financial inclusion using agents as intermediaries, according to the central bank.

It has now gone beyond the basic banking services such as cash deposits, cash withdrawal, and receipt of remittances. Rather, banks have started giving out small loans through these outlets.

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## Import ban on used cars to leave the market uneven

Barvida claims, criticising proposed Automobile Policy 2020

JAGARAN CHAKMA

The government's plan to impose a ban on the import of reconditioned vehicles to promote local manufacturing and assembling will create an imbalance in the domestic market, according to Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

Manufacturing cars in Bangladesh would be a matter of national pride and Barvida encourages this initiative, said Abdul Haque, president of the association.

But the government should give priority to the choice of customers before going for such a ban as 85 per cent of the passenger cars in Bangladesh at present are imported reconditioned vehicles, he said.

The proposed policy will destroy competition between the importers of reconditioned and brand-new cars, he said.

"The government didn't even include a representative from this sector while preparing the draft policy."

Barvida will hand over its observations on the proposed Automobile Policy 2020 to the industries ministry today.

As per the proposed policy, imports of reconditioned cars would be

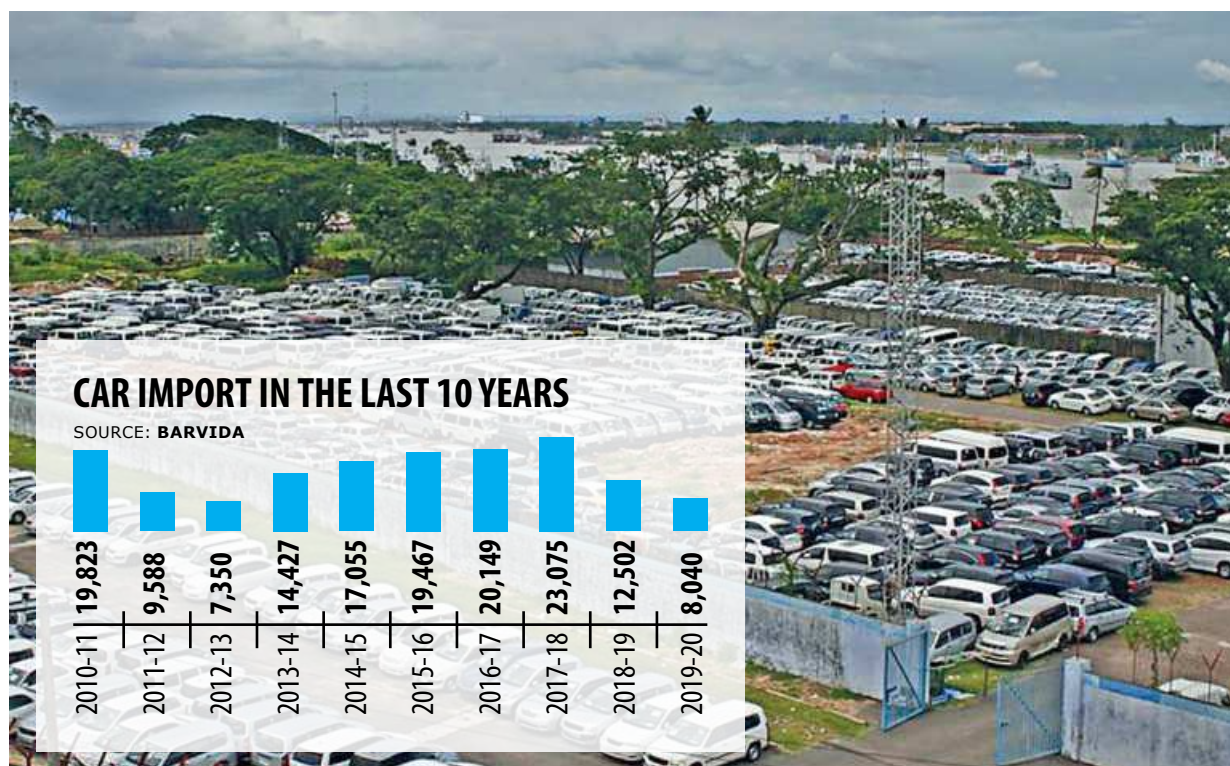
### BY THE NUMBERS

- ▶ Total investment: Tk **20,000**cr
- ▶ Govt revenue from the sector a year: Tk **4,000**cr
- ▶ Total employment: **30,000**
- ▶ Market size: Tk **5,000**cr
- ▶ Demand for passenger car a year: **15,000** units
- ▶ Reconditioned car importers meet demand: **85%**

phased over the next five years in a bid to encourage investments in the local assembly and manufacture of motor vehicles.

As such, the government will formulate the 2020 Automobile Industry Development Policy, a draft of which has already been shared with various stakeholders for finalisation.

Currently, state-run Pragati Industries assembles cars designed by Japanese automaker Mitsubishi Motors while PHP Motors, a sister concern of the PHP Family based in Chattogram, manufactures cars made by Malaysia's PROTON



Holdings Berhad.

Besides, Indian automotive giants Tata Motors and Mahindra & Mahindra recently showed interest to go for similar partnerships with local

manufacturers to grab a bigger slice of the growing automobile industry in Bangladesh.

"This is a clear conspiracy carried out by a vested quarter that only wants

to secure their own interests," said Mohammad Shahidul Islam, secretary general of Barvida.

An immediate ban on import of reconditioned cars would be a suicidal

step for the government as it directly earns at least Tk 4,000 crore in revenue from import duties alone, he added.

Besides, Barvida also helps in the country's economic development by paying both value-added and income tax.

Over the past three years, about Tk 20,000 crore has been invested in the sector, which created at least 30,000 direct employments.

"The government should try to create a competitive market for the buying and selling of new or reconditioned cars in consideration of the customers," Islam said, while citing the case of the reconditioned car market of Australia, the UK and the US.

Islam also alleged that imported brand-new cars do not comply with global standards. "Besides, these vehicles do not originate from their mother countries but on the other hand imported reconditioned cars are from their countries of origin."

According to the secretary general, now only 'Euro 6' emission standard cars are allowed to operate in developed countries and imported reconditioned car meet this standard while most brand-new cars in Bangladesh are yet meet the requirement on carbon emissions.

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