DHAKA SUNDAY OCTOBER 11, 2020, ASHWIN 26, 1427 BS 🔵 starbusiness@thedailystar.net 📱

Small apparel units still in a tight spot

They are running far below their capacity amid a lack of work orders

REFAYET ULLAH MIRDHA

Small and medium garment factories are yet to see the rebound in apparel shipments as they have not received as many export orders as the bigger units have, pointing to an uneven recovery in the sector.

After a drastic fall in business in April due to the ongoing coronavirus pandemic, the export of garment items started picking up from May as international retailers and brands reopened their stores in their home

countries and returned with work orders. Large units are the major beneficiaries of the uptick in the business compared to the small and medium factories because of the former's strength.

running her factory at 70 per cent capacity as her US buyers are gradually coming back.

M Shahadat Hossain, chairman of the Bangladesh Terry Towel & Linen Manufacturers & Exporters Association, said his members are running their units at 70 per cent capacity now.

The Covid-19 fallout prompted a collapse in the shipment of apparel products, which contribute 84 per cent to national exports. The impact was so severe that overseas sales plummeted to \$0.37 billion in April from an average monthly export of \$3 billion.

This was a result of mass work order cancellations by retailers and brands. Many exporters faced abnormal deferred payment "I used to run 100 per cent overtime in proposals from buyers, the return of goods

> AT A GLANCE Small and medium factories



the pre-pandemic period. Now, it is 40 per orders," said Ehterab Hossain, managing conditions. director of Base Fashions, which employs 1,000 workers.

In April, May and June, production at the factory was very low as orders dried up. "The situation is gradually improving although it is not at the level of the prepandemic time," he said.

His factory is currently operating at 70 per cent capacity. The small and medium units mainly work for medium-level buyers, so their quantity is low, he added.

Hossain is not alone though as many other small and medium-sized factory owners are desperately looking for orders to resume full-fledged operation.

Ahmed F Rahman, managing director of Kappa Fashions, said the company is running at 80 per cent capacity.

"I hope I will be able to reach the prepandemic-level next January if the current flow of orders continues," he said

Vidiya Amrit Khan, deputy managing director of Desh Garments, said she is

from the ports of destinations, delays in cent as I am receiving a small number of shipment proposals and unusual shipment

> The small and medium units were the worst affected due to weak financial condition.

About 300 small factories have remained shut mainly because of a lack of work orders, according to Md Rezwan Selim, a director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"But they are not contacting the BGMEA to reopen their units," he added.

More than 1,000 small and medium units are struggling to get work orders from international retailers and brands.

"Of the units, some laid off their workers," Selim said. However, the situation of work orders is improving.

Along with large factories, the smaller ones have also been suffering from nonpayment by buyers, and many of them could not avail funds from the government's stimulus packages because of stringent terms although they are considered to be the backbone of the industrial sector.

All efforts fail to reduce NPLs at state banks

Govt still calls the shots rendering BB's MoU with the lenders, regular meetings ineffective: experts

AKM ZAMIR UDDIN

In the late nineties, the key financial indicators of the state-owned commercial banks deteriorated alarmingly. Non-performing loans (NPLs) rose to 45.6 per cent because of poor corporate governance.

This prompted the Bangladesh Bank to sign memoranda of understanding with the banks in 2003 to put them on the right track.

It inked a separate MoU with BASIC Bank in 2013 to closely monitor its activities after huge loan irregularities committed by Abdul Hye Bacchu, the then chairman of the bank, made the once sound lender into a problem one within 3-4 years.

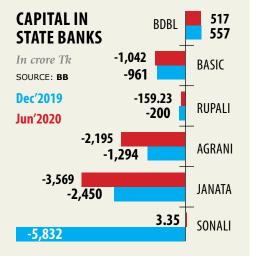
The MoUs were revised in 2013 to make them time-befitting, incorporating many qualitative changes. Subsequently, the state banks drew up polices on credit risk management, internal control and compliance, loan review, and liquidity management.

The central bank sits with the managing directors of four state lenders - Sonali, Janata, Agrani and Rupali – every quarter.

But all efforts in the last two decades have little effect on the actual condition of the banks. NPLs in the state lenders stood at 21.6 per cent of their total outstanding loans of Tk 188,876 crore as of June, down from 31.23 per

But this is not the actual picture as the lenders regularised defaulted loans to the tune of Tk 15,286 crore last year using the relaxed





rescheduling facility introduced by the central

The BB has been asking them to contain defaulted loans since signing the agreement nearly two decades ago, with no result in sight. In reality, the meeting has become a routine affair for the central bank.

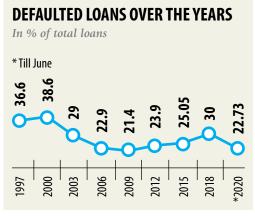
On October 8, the central bank again sat with the four banks and asked them to bolster their audit function to strengthen internal control and compliance.

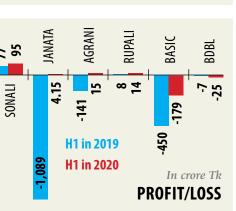
"The central bank does not have any control on the state-run lenders as their genuine regulator is the finance ministry's banking division," said Ahsan H Mansur, executive director

of the Policy Research Institute of Bangladesh, a think tank. "The central bank advises them

but they are not compelled to follow the suggestions.' The worrisome situation has

emerged from the dual regulatory system in the banking sector, putting an adverse impact on the central bank's MoU with the state lenders, said Mansur, also a former high





official of the International Monetary Fund. "The banking division has to be abolished

if we want to protect the financial health of the state lenders in the true sense," he said. Some financial indicators of the banks slightly

improved soon after the MoUs were introduced as the central bank capped the credit ceiling at 5 per cent per year based on their outstanding loans of the previous year, he said. But the central bank later backtracked, allowing

them to go on lending spree. This has played a major role in creating a wide range of financial corruptions in the banking sector, he said.

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WB's GDP growth forecast inconsistent: Kamal

STAR BUSINESS REPORT

cent a year ago.

Finance Minister AHM Mustafa Kamal has said the World Bank's latest forecast about the growth of Bangladesh's gross domestic product does not reflect the ongoing economic recovery.

"The GDP growth forecast made by the World Bank is inconsistent with the current economic revival in Bangladesh," he said.

In its twice-a-year regional update on Thursday, the Washington-based lender maintained its GDP growth forecast for Bangladesh at 1.6 per cent for the current fiscal year and 3.4 per cent for the next fiscal year. assuming that the impact of the Covid-19 crisis would extend.

per cent GDP growth in the current still nine months left." fiscal year.

characteristic of the WB's forecast is very conservative. If anyone tallied all the forecasts made so far by the WB, they would find how far these estimates are from reality.

"We think the WB has published a traditional forecast," the minister

"We set our targets based on our capacity and we achieve them. This year, we will also pull off the target and prove that our targets were

The WB has come up with the same GDP growth numbers it has been making since the economy started to slow down because of the impacts of the pandemic, Kamal "Three months of the current

The government has targeted 8.2 fiscal year have passed and there are economic

In a press release, Kamal said the unleashed by the pandemic has



AHM Mustafa Kamal

faded away to a significant extent, the finance minister said.

"The economy is in strong shape now in almost all sectors such as public and private sector spending, investment, exports and remittance.

"Bangladesh has been top-

ranked in GDP growth for the last decade. We are confident that we would be able to keep up the momentum in the future as well.' Despite the health sector and

the pandemic management coming under pressure, the government's appropriate stimulus packages and social protection schemes have strengthened the economy and ensured basic services and supply of essentials for the poor, according to Kamal. Some experts are saying that

remittance income has gone up as migrant workers from various countries have returned after selling everything they had, Kamal said. "But they have forgotten the bold

decision taken by Prime Minister Sheikh Hasina on providing 2 per cent incentive and making remittance-sending easier."

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Hundreds of restaurants in Dhaka closed for good

More than 1,000 are still at risk of closure due to the pandemic

MAHMUDUL HASAN

Hundreds of restaurants in the capital have already been permanently closed as the owners are unable to cover operational costs while suffering from decreased revenue amid the ongoing coronavirus pandemic.

However, another 1,000 restaurants are now at risk of closure as low customer turnout and the exorbitant cost of rent have left the country's food service providers in a dire situation.

Since the Covid-19 outbreak began in March, the hospitality industry has been among the worst hit sectors of the country as customers are avoiding food from outside their homes in

order to prevent infection. When economic activities started to accelerate from June, only a few restaurants reopened their doors.

Since August through, the majority of the restaurants have been operational but the sector has only regained about 50 per cent of its business compared to pre-pandemic era.

However, there are still over 1,000 brick-and-mortar food service providing entities who are uncertain whether they will ever be able to reopen.

In 2018, Nadvie Ahmed and a few of his partners established two outlets of the Bhoj company, a catering service that features dishes and recipes of Kolkata. As business was booming, they kick-started another venture named Painted Chopstick in Banani the following year.

All was well but only until the virus

started to spread across the country. "The flow of the customers started to slow from the beginning of March. And when the country went into lockdown, over 90 per cent of our business plunged," he said.



But after failing to pay the Low turnout and exorbitant operating costs have left food service providers exorbitant cost for rent of three outlets in a dire situation. The photo was taken from Banani in the capital last week.

KEY POINTS

- Number of hotels, restaurants and sweetmeat makers in Bangladesh: 60,000
- >> All restaurants closed their doors in March amid shutdown
- >> About 80% of around 15 lakh workers were laid off at that time
- >>> Restaurants started to reopen in June Around one-fourth of the restaurants did not resume operations
- >> Over 5 lakh workers are still out of work

Ahmed was forced to close down his business in early June. Besides, during the two-month

nationwide 'general holiday' aimed

and the import of certain ingredients, at curbing the spread of Covid-19, when their business activities were nearly zero, inflated electric bills only weakened their morale further.

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