

DHAKA SUNDAY JANUARY 15, 2012, e-mail:business@thelaststar.net

SME loans bypass area of focus

SAJJADUR RAHMAN

Two-thirds of loans given to small and medium enterprises are used in trading, which analysts say is a threat to sustainable economic growth.

Nearly Tk 25,000 crore or 65 percent of SME loans disbursed in January-September of 2011 went into trading, 29 percent into manufacturing and the rest into the services sector, according to data from Bangladesh Bank.

"The SMEs are meant for production. If the loans are not used for manufacturing, the core objective will not be achieved," said Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies.

Mujeri, a former chief economist of Bangladesh Bank, said the central bank should identify the causes and remedies, so that SMEs can flourish.

Bankers and SME businessmen blamed the rise in cost of funds, low productivity, and a lack of skilled manpower and policy support from the government for the situation.

Regulatory permissions, such as environmental clearance for a manufacturing unit, also discourage entrepreneurs.

"The rising interest rate is pushing production costs up," said Dewan Ali Kabir, who manufactures printing paper used to print utility bills.

Kabir borrowed money initially at 12.5 percent. Months later, the bank reset it at 14 percent and now, they are asking for 18 percent, he said.

That is not the only bad news for Kabir. As he imports raw materials, the devaluation of the taka is eating up his profits.

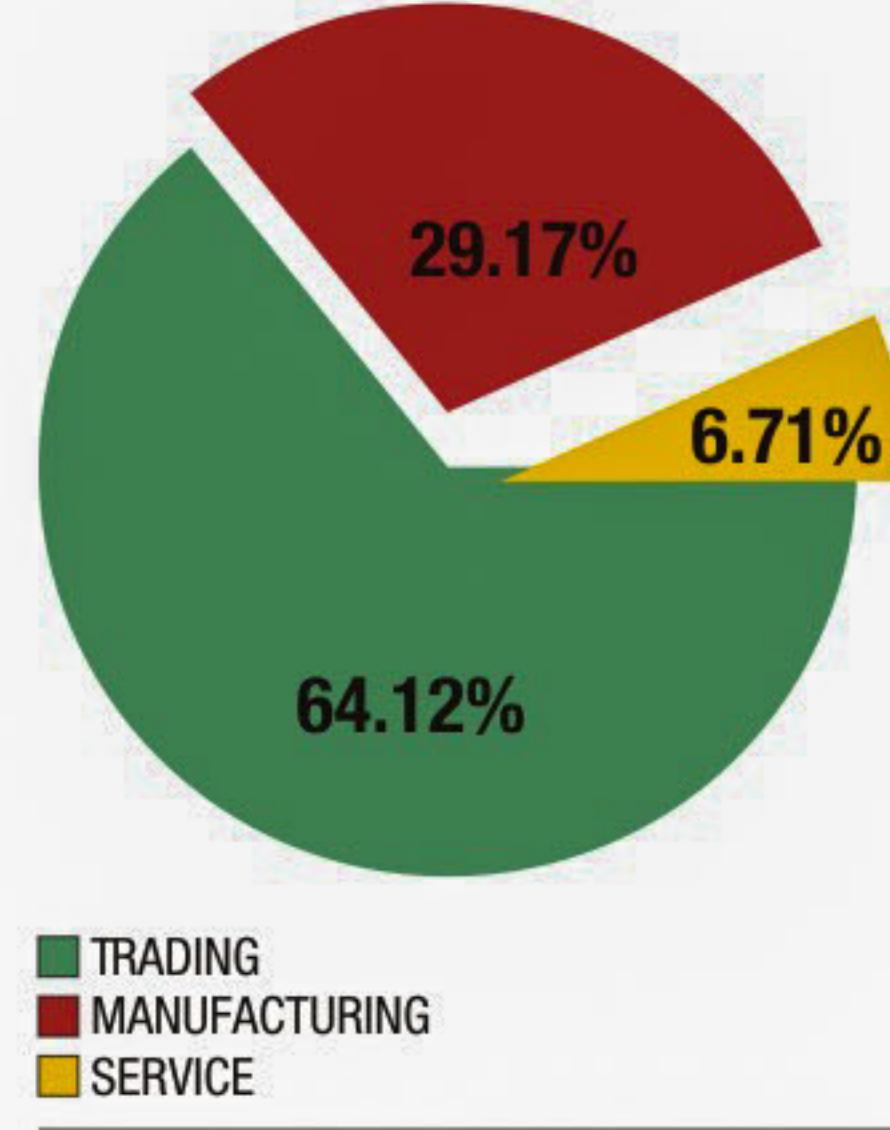
Nessar Maksud Khan, who runs a group of small and medium companies, said the high costs of production are discouraging SMEs from manufacturing.

"I used to outsource plastic products from the local market for corporate supplies. Later, I found it cheaper to import," said Khan, also a director of Dhaka Chamber of Commerce and Industry.

Though business becomes easier for a bank if it funds trading activities, the country is missing out on the much needed transformation to manufacturing and industrialisation. SMEs contribute significantly towards industrial output, exports and employment generation for the economic growth of any country.

"Repayment of the manufacturing

COMPOSITION OF TOTAL SME LOANS DISBURSED IN JAN-SEP 2011



sector is not very good. Moreover, it is exposed to a lot of external factors, such as a supply of energy, import of raw materials and the exchange rate," said a senior manager of BRAC Bank.

For bankers, he said, trading is easy to understand and less risky to finance.

"Banks play a helping role for traders, but they must be drivers for the manufacturing concerns," said the BRAC Bank official.

An Eastern Bank official concerned with the SME division pointed at vested quarters, who import goods by dodging taxes, as a threat to the local SME manufacturers. He also said regulatory requirements, such as getting permission from the environment department for any manufacturing enterprise, are time consuming.

"It takes at least six months to get the required permission from the department of environment, which discourages both borrowers and lenders," the official said.

Bankers found SMEs weak in managing business -- from planning to purchasing, design, production, quality control, marketing, finance, human resources, public relations, new business developments and target growth.

Due to their small size, SMEs cannot afford to appoint qualified fulltime financial executives to manage their activities, and interact with the bankers and regulatory agencies, they said.

Business leaders, economists, lawyers and other civil society members gather at Bangabandhu International Conference Centre in Dhaka yesterday to pay tributes to Samson H Chowdhury, who passed away on January 5.



STAR

In memory of an icon

Speakers recollect the legacy of Samson H Chowdhury in business

STAR BUSINESS REPORT

To his followers he was a hero, to his contemporaries he was a business icon and to young entrepreneurs, he was a guide. Even to the regulators, he was spotless.

"Samson H Chowdhury was undoubtedly one of the greatest businessmen in the country who has demonstrated entrepreneurship despite a modest start," said Prof Rehman Sobhan, chairman of the Centre for Policy Dialogue.

"With sheer energy and entrepreneurship, he has established one of the largest conglomerates in the country. This enabled him to stand out."

"He served as the chairman of Transparency International Bangladesh from 2004 to 2007. But it is not a convention that an eminent businessman will be invited to lead TIB. It was recognition for his acceptability," Sobhan said.

At a memorial event for Samson Chowdhury at Bangabandhu International Conference Centre in Dhaka, Rehman urged businessmen, entrepreneurs and industrialists to take lessons from his life and build businesses without violating rules.

The event started with a minute of silence in honour of the iconic businessman, who died on Janu-

ary 5 from old-age complications at the age of 86.

International Chamber of Commerce Bangladesh (ICC-B), Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka Chamber of Commerce and Industry (DCCI) and Chittagong Chamber of Commerce and Industry (CCCI) co-organised the event, "Samson H Chowdhury: The business legend of our time".

Finance Minister AMA Muhith said Samson Chowdhury helped shape the country's pharmaceuticals industry. "He started off in Pabna and brought his venture to Dhaka. He did not stop there. He took his company to the international stage. It was not easy to do all these in just one life," Muhith said.

The minister said Samson Chowdhury was one of the 48 largest taxpayers in the country.

Barrister Rafiqul Haque, a lawyer, said most businessmen in the country have some sort of legal problems. "But Samson Chowdhury had never come to me for any legal problem."

MCCI President Amjad Khan Chowdhury said he was a business icon, visionary leader and entre-

preneur. "He made an enormous contribution to creating employment with high professionalism."

Samson Chowdhury was the chairman of Square Group that generates more than Tk 6,000 crore in annual turnover and employs around 33,000 people.

"He had encouraged many to set up businesses and repress poverty and hunger," said Khan, also the managing director and chief executive of Pran-RFL Group.

Syed Manzur Elahi, a former caretaker government adviser and chairman of Apex Adelchi Footwear Ltd, said he had never compromised on business ethics. "He had never earned money through short-cuts."

Elahi urged the children of Samson Chowdhury to try hard to continue the successes of their father. "Your father has left very big shoes for you to fill."

Latifur Rahman, former president of MCCI, said Samson Chowdhury has contributed tremendously to businesses. "He set standards of ethics and values."

"We hear that many businessmen directly or indirectly compromise on ethics and standards in business, which ultimately damages society and financial institu-

ations. But I have never heard he was involved in any financial scandal directly or indirectly."

Rahman, who worked with the business legend in MCCI and ICC-B for years, said through Square Pharmaceuticals, Samson Chowdhury established business ethics and marketing practices.

"He had maintained high standards at Square, which came through hard work," said Rahman, also the chairman and managing director of Transcom Group.

Prof Mohammad Farasuddin, former governor of the central bank, said Samson Chowdhury was not only a business icon, but also a champion in the corporate world. "He never fell short on ethics, honesty and transparency. As a former regulator, I can say he was spotless."

FBCCI President AK Azad said: "A few days ago, Samson Chowdhury came to FBCCI regarding a licence issue of a herbal association. I told him that things would have been done, if he had just called me or sent someone else."

"In response, he said if a farmer does not go to his fields, he cannot expect a good crop," Azad said.

For him, Samson Chowdhury was an example of honesty, ideals and ethics in business.

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DSE goes to polls March 11

STAR BUSINESS REPORT

The Dhaka Stock Exchange will elect four directors on March 11, according to a decision of the election commission of the premier bourse.

The election commis-

sion however will declare the complete election schedule later.

According to the DSE constitution, the election must be held every year before the annual general meeting (AGM), which is set for March 15.

There are 12 elected and 12 nominated members of the Board of Directors on the Dhaka bourse. Four directors retire every year and four others replace them through direct voting.

A president, two vice-presidents, one senior vice-president and the other vice-president, are elected from the 12 elected directors, including the new four.

The posts of four directors will be vacated this year, as incumbent DSE President Md Shakil Rizvi and directors Abdul Haque, Mohammad Shahjahan and Md Rafiqul Islam are retiring.

Earlier at a meeting on Wednesday, the DSE board declared an election commission headed by Professor Abul Hashem, a teacher of accounting and information systems at Dhaka University and also a nominated director of the DSE.

Two other members of the election commission are Waker-Uz-Zaman, a nominated director, and M Kamaluddin, a member of the DSE.

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