

StanChart to widen SME reach

Top official explains why Bangladesh market is important for them



Christopher Dalo

SUMAN SAHA

STANDARD Chartered Bank has decided to focus more on small and medium enterprises in Bangladesh amid growing demand for funds from its clients, said a senior official of the global banking giant.

"We have already strengthened our SME banking offerings to meet the changing needs of the fast-growing SMEs in Bangladesh," said Christopher Dalo, global head of sales management and customer offerings (SME banking) of the bank.

The London-based bank has redesigned its focus on the SME banking globally as the segment has grown at almost twice the rate of GDP in most markets and is expected to grow by up to 12 percent in a year across its footprint in Asia, Africa and the Middle East.

Dalo sat with The Daily Star for an interview in Dhaka yesterday.

The official said the needs of the SMEs are changing in Bangladesh due to the expansion of their

businesses.

"Earlier, the SMEs used to operate their businesses targeting only the local customers, but now they are selling products to overseas markets and importing goods," said Dalo.

As a result, they are getting busier and their needs are changing, he added.

"We have to change our product offerings and solutions since the needs of the SMEs are changing," said Dalo who holds a Bachelor's and a Master's degree in industrial engineering from the University of Massachusetts, USA.

In line with the changing needs of the SMEs, the bank will offer the tailor-made services exclusively for the segment, focusing on simplicity.

"We will provide these products and solutions to the SME segment that will help them satisfy their comprehensive needs," said Dalo.

He said the small and medium businesses generally need banking support for their working capital, business expansion, business protection and yield

enhancement.

The new product proposition will serve these needs, said Dalo. "Customers' needs are not just lending needs, rather they want more."

The official said they want to expand their offers for the SMEs as Bangladesh is one of their important markets among the emerging countries.

"It is an important and growing market. It has grown tremendously. We see it to grow even more," said Dalo.

The bank, which is especially focused on Africa, Asia and the Middle East, launched SME banking in Bangladesh in 2004.

"In the segment, we have a good track record since the beginning of the SME operations here," he added.

In Bangladesh, there are about 60 lakh SMEs and micro-enterprises, according to Asian Development Bank, making up 75 percent of the domestic economy.

The sector accounts for about 45 percent of manufacturing value addition, 80 percent of industrial

employment, 90 percent of total industrial units and 25 percent of the total labour force.

Their total contribution to export earnings ranges from 75 percent to 80 percent, according to an ADB survey.

"We do business in about 30 markets. Bangladesh is clearly among the top ten. We see here good growth," said Dalo who joined the bank in 2010 and is now based in Singapore.

Their goal is to become the priority bank of the customers, said Dalo.

"Our ambition is to be the leading international bank for SMEs, building the segment into a multi-billion-dollar business over the next two to three years."

However, Dalo said the SME sector also carries some risks.

"Risk management is important. One of the challenges is a lack of access to financial data of many small enterprises and their business health."

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Bangladesh expects India's ban on cotton export may go soon

Anand Sharma to visit Bangladesh early next month

REFAYET ULLAH MIRDHA

BANGLADESH expects India may lift a ban on cotton export soon as the neighbour's textiles minister will visit Bangladesh early next month to discuss the issue, said a government official yesterday.

After the ban was imposed on March 5, Bangladesh launched negotiations with India and other cotton producing countries such as Uzbekistan to ensure a better supply as the country heavily depends on imports.

India, the second largest cotton producing country, slapped the ban mainly to build up its domestic stocks.

"Indian Textiles Minister Anand Sharma is coming to Bangladesh in the first week of the next month to discuss the cotton issue. I hope we can resolve the problem through discussion," Commerce Secretary Ghulam Hussain said.

Hussain said his Indian counterpart will also accompany the minister during the visit.

The Bangladesh's commerce secretary also went to India last month to discuss the issue as the local spinners are heavily dependent on Indian cotton.

Also, Bangladesh is trying to sign an agreement with the Uzbekistan government to ensure a smooth supply of cotton all the year round, Hussain said.

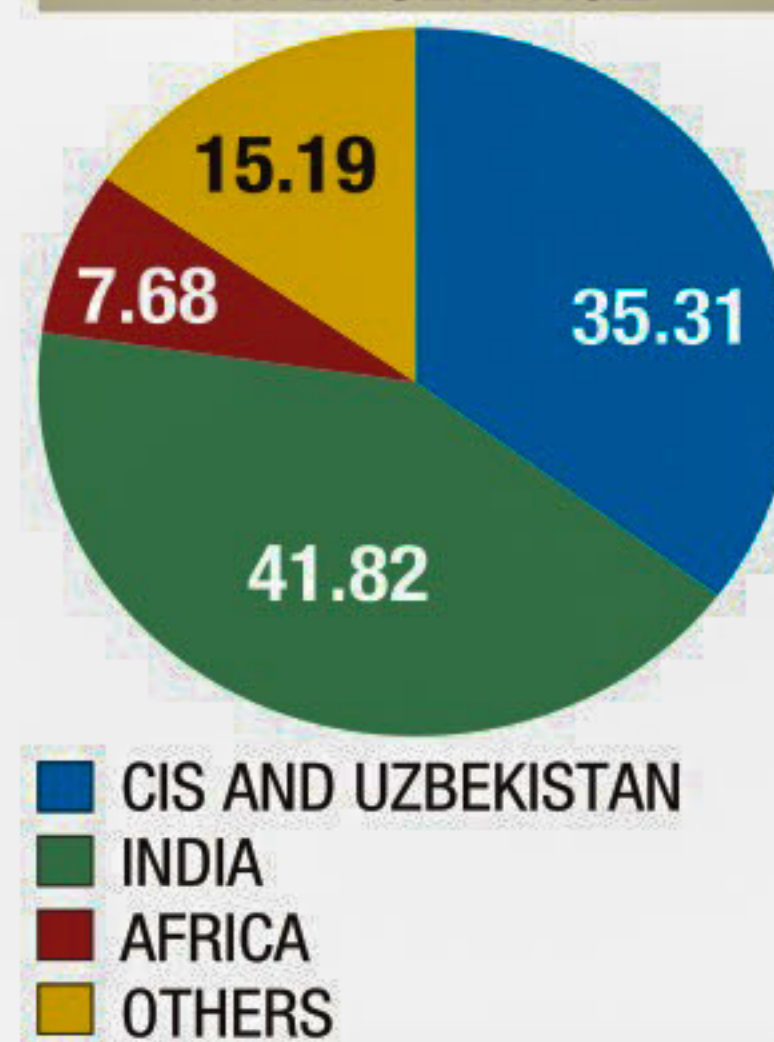
"However, the commerce ministry has convened an internal meeting at the ministry today (Thursday) to discuss the overall situation of stocks, supplies and imports," he said.

In recent years, Bangladesh's dependence on Indian cotton marked a rise as spinners prefer this country for its geographical proximity which cuts lead-time significantly.

Moreover, import of Indian cotton costs lesser freight charges with shorter lead-time due to the nearness of the country, compared to CIS (Commonwealth of Independent States) countries.

Under the present rules, spinners cannot buy cotton directly from the

COTTON IMPORT IN PERCENTAGE



growers in the CIS countries. They buy the item from a third country or a third party, which raises the prices and lead-time.

According to commerce ministry statistics, Bangladesh imported 39,398,83 bales of cotton in a year from July, 2010 to June 2011.

Of the total amount, 41.82 percent was imported from India, 35.31 percent from Uzbekistan and other CIS countries, 7.68 percent from Africa (East and West), while 15.19 percent from other countries including the US, Australia, Pakistan and China, during the period, the data showed.

Another senior official of the commerce ministry said Indian cotton accounted for less than 20 percent even two years ago.

But, the volume is rising due to lesser freight charges and shorter lead-time, he said.

According to a report, consumption of raw cotton in Bangladesh was estimated at 3.5 million bales in 2011-12, down by around 5.5 percent from 2010-11, due to a decline in imports and a weaker demand from the spinners.

Cotton consumption in 2012-13 is forecast to reach 3.6 million bales, said the report from the United States Department of Agriculture.

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Asia to maintain growth despite global crisis: ADB

AFP, Hong Kong

EMERGING Asian economies will experience flat growth this year before recovering in 2013, the Asian Development Bank (ADB) said in a regional report released Wednesday.

The Asian Development Outlook report for 2012 said the region was shifting toward a "more sustainable long-run growth path" based on strong domestic demand instead of exports, which have been hit by wobbly Western demand.

But the study also warned that the region's rising wealth was fuelling inequality and income disparities, with the underprivileged at risk of being sucked into a "vicious circle" of poverty and neglect.

The vast region's gross domestic product (GDP) growth will "cool somewhat" to 6.9 percent in 2012, down from 7.2 percent last year, before edging higher again to 7.3 percent in 2013.

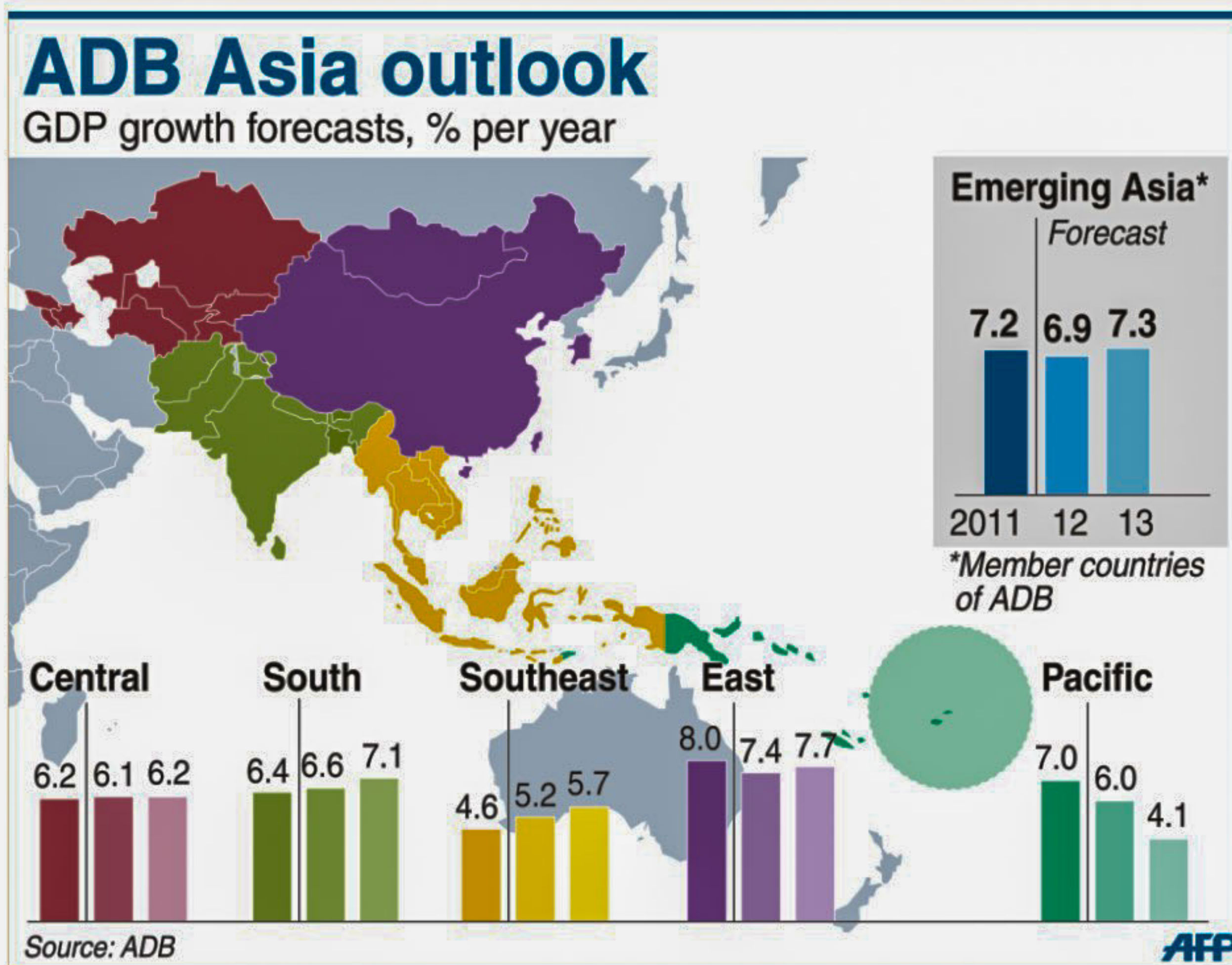
"Despite the weak global environment, developing Asia's growth momentum continues," it said.

"Strong domestic demand provided necessary support in 2011, and this will need to continue in light of the soft export demand expected from the major industrial economies of the United States (US), eurozone, and Japan."

Even with a slowdown this year, developing Asian economies would easily outshine Europe, the United States and Japan where output is forecast to grow only 1.1 percent this year and 1.7 percent in 2013, the report said.

"Continued uncertainties in the eurozone and a further slump in global trade pose the biggest threats to the growth outlook," ADB Chief Economist Changyong Rhee said in a statement.

"At the same time, Asian economies are gradually diversifying into new markets, private consumption is trending up and the region has limited direct financial exposure to the eurozone -- which should help sustain



its momentum."

The stronger trend in domestic consumption -- in a group of countries known for high savings rates -- could be seen in the region's current account surplus, which fell to 2.6 percent of GDP from four percent in 2010.

The report covers most economies in Asia except Hong Kong, Japan, Singapore, South Korea and Taiwan. The countries account for more than 80 percent of Asia's population.

Inflation was a concern for the region last year until the eurozone debt crisis and the patchy recovery in the

United States sapped demand for exports, forcing policy-makers to worry more about growth.

The ADB said prices had eased but remained a "potential threat", especially given the volatility of food and fuel costs.

China, the world's second biggest economy, would see growth moderate to 8.5 percent this year and 8.7 percent in 2013, compared with 9.2 percent in 2011.

The region's other emerging giant, India, would post 7.5 percent growth in 2012.

Southeast Asia's GDP would expand 5.2 percent this year from just 4.6 percent in 2011, thanks largely to Thailand's recovery from last year's devastating floods.

The report said Asia had "lifted people out of poverty at an unprecedented rate" over the past few decades, but its recent growth had been characterised by widening income disparities between the super-rich and the rest.

If the spoils of growth had been more evenly shared and inequality rates had remained stable, another 240 million people -- or 6.5 percent of developing Asia's population -- would have moved out of poverty between 1990 to 2010.

Rhee said rising inequality is a concern for Asia -- cited as a successful example of high growth with low inequality in the 1970s -- as many African and Latin American countries have witnessed a decline in such divide.

"What we are worrying about is that if this trend continues Asia may lose one of our strong points," he told reporters in Hong Kong.

"Rising inequality can weaken the basis of growth by undermining social cohesion -- you can think of the Arab Spring -- and worsen the quality of governance," he warned.

The ADB recommended measures including greater spending on health and education, cutting fuel subsidies and broadening the sources of tax revenues to address rising inequality.