

Microfinance to cut poverty: analyst

STAR BUSINESS REPORT

Microfinance has contribution in eliminating poverty, said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue.

Poverty alleviation will be sustainable if micro borrowers are engaged with skill development and income generating work, Rahman said in a discussion styled 'Microfinance and social safety in Bangladesh', held at the Bangladesh Film Development Corporation yesterday.

The event was organised by the Debate for Democracy, a non-profit non-government organisation that tries to improve the quality of life through debate, dialogue and development talks.

The main problem of microfinance is that borrowers take loan from several institutions at a time and they tend to pay

off one microfinance institution's loan by taking loan from another one, Rahman said.

"Microfinance has both positive and negative aspects," said Hassan Ahamed Chowdhury Kiron, chairman of the Debate for Democracy.

It is said that the poor are losing everything due to the pressure to clear their microcredit loans but there are success stories too, he said.

He also said the government's social safety net programme is facing obstacles in implementation due to corruption.

The well-off people are the true beneficiaries of the safety net programme as opposed to the poor, he said.

University of Asia Pacific won the debate competition defeating Eastern University. The participants were awarded crests and certificates.

New secretary general for Institute of Bankers

STAR BUSINESS DESK

Mohammad Naushad Ali Chowdhury joined the Institute of Bankers, Bangladesh as secretary-general on March 16.

He was an executive director of Bangladesh Bank and on post retirement leave. During his long career at the central bank spanning more than three decades, he worked at various departments dealing with bank supervision, foreign exchange policy, financial stability, sustainable finance, and internal audit.

Chowdhury was also the deputy chief of Bangladesh Financial Intelligence Unit of the BB, and a director of Karmasangsthan Bank.



Mohammad Naushad Ali



Ali Reza Iftekhar, managing director of Eastern Bank, and Nazeem A Choudhury, head of consumer banking, receive the "Asian Banker's International Excellence in Retail Financial Services 2017 Awards" in Tokyo, Japan on March 17. The private commercial bank of Bangladesh has won the award for the fifth time.

Indian drugmakers face squeeze in US healthcare market

REUTERS, Mumbai

India's small and medium-sized generic drugmakers say the threat of tougher rules and higher barriers for outsiders in the US healthcare market will force many to find a niche or focus their expansion efforts on other countries.

India supplies nearly a third of medicines sold in the United States, the world's largest healthcare market. Cut-price generics sold by India's small- and medium-sized drugmakers have been critical in bringing down prices there.

A more protectionist stance by President Donald Trump, with the prospect of import tariffs and the U.S. boosting local drug manufacturing, mean the operating environment for smaller generic players will get worse, executives at Indian companies said.

"If the challenges keep increasing, competition will reduce, and this could actually increase prices there," said DG Shah, secretary general of the Indian Pharmaceutical Association, which represents 20 large Indian drugmakers. J Jayaseelan, who owns Nuray Chemicals, a maker of drug ingredients, said many Indian firms are reconsidering, or putting on hold, US expansion plans.

Ajanta Pharma is one such firm. The mid-sized generics drug maker said it had no plans to scale up its US business and would invest more in Asia and Africa instead. "It's not a major market for us right now ... you've got to look at the risk-reward ratio," said Rajeev Agarwal, general manager of finance at Ajanta.

The risks come as US revenue growth for these firms is falling. US revenues for Indian drugmakers rose 15 percent in 2016, half the average annual growth rate of 33 percent between 2011 and 2015, ratings agency ICRA said. It expects the growth rate to fall further this year.

Consolidation among US drugs distributors and a federal investigation into drug pricing have also reduced the pricing power of drugmakers.

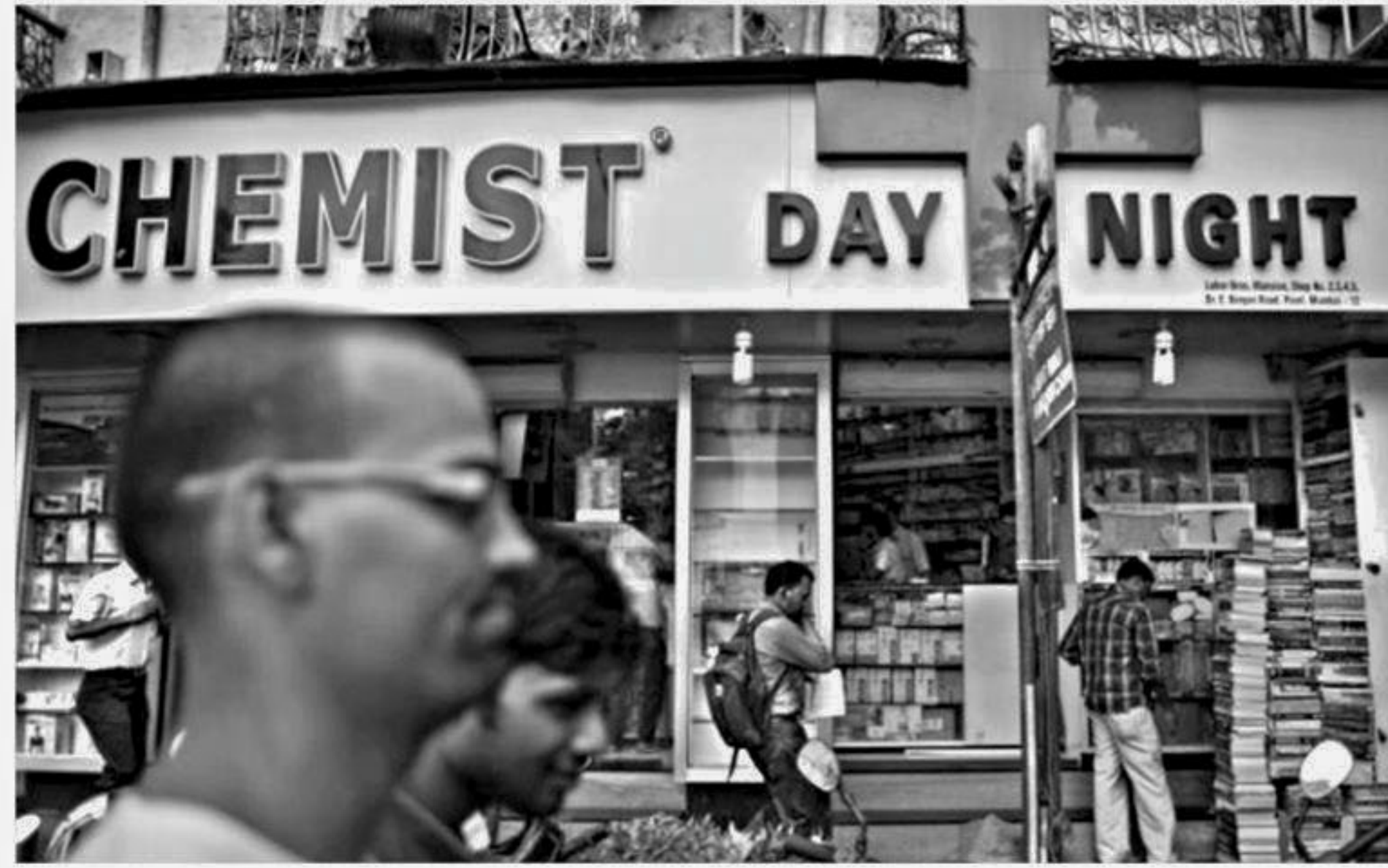
The US drugs regulator, the Food and Drug Administration, has also banned dozens of Indian drug factories from supplying the US market following inspections that found inadequate quality-control practices. Companies have invested significant sums to raise their quality standards.

Firms that want to focus on the United States will have to increase investment in higher-margin niche therapies, or products requiring

specialized manufacturing, said Mitanshu Shah, senior vice president of finance at Alembic Pharmaceuticals. "Smaller companies with a few regular products and no long-term vision for the United States won't last," Shah said.

Even with a vision, the US market is just getting tougher for companies to operate in, said Vijay Ramanavaru, the head of the US business of drugmaker Granules India.

"You have to fight twice as hard today," Ramanavaru said. "It will be harder for new entrants to enter the US market unless they are able to find niche areas."



People walk past a chemist shop at a market in Mumbai.

REUTERS/FILE

Branding critical in digital age: analysts

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Bangladesh Brand Forum organised the seminar, which was presented by American International University-Bangladesh and powered by Dhaka Bank and BEXIMCO in association with The Daily Star.

The event, which was held at Le Méridien Dhaka, aimed at inspiring management, brand managers and digital marketing departments to be a part of the digital transition.

"Nowadays, you will have to engage people with content, which needs to be precious. It might be 30 seconds long to get better results. And take this expenditure as an investment, not as costs," said Mukherjee.

People are using the digital platform to tell their stories, so marketers will have to shift their plans and adopt it without wasting any more time, he said. Internet users in the Asia Pacific region are spending more time online than in the developed world, so their contents should be different, he said.

At present, 3.5 billion of the world's 7.4 billion population are using the internet. Internet users are online 252 minutes a day in the Asia Pacific region, while it is only 118 minutes in the developing world, he added.

In another keynote, Nigel Hollis, executive vice-president and chief global analyst at Kantar Millward Brown, said the marketer's job is to help people justify their decision as to why they have to buy a specific product. "And here, the digital channel can play an enormous role."

Referring to a study, Hollis said watching television is declining in the developing world. Even laptop use has dropped slightly, but mobile phone usage is increasing tremendously. "Marketing people need to understand this customer behaviour in designing digital products," he added.

Politicians are using digital platforms for their campaigns nowadays and getting success, with Donald Trump being the prime example, said Hermawan Kartajaya, president of the World Marketing Association and co-founder of Asia Marketing Federation.

"Before going for digital campaigns, managers should understand their customers' needs and what they want. Here, artificial intelligence is important."

Syed Saad Andaleeb, vice-chancellor of Brac University, moderated a panel discussion. Kazi Mahboob Hasan, senior director and head of transformation at Grameenphone, and Munawar Misbah Moin, group director of Rahimafrooz Solar, was part of the panel.

"Neither China nor India is the most populated country in the world now. The Facebook population is the biggest nation now and digital branding campaigns should target this population," said Jagdish Sheth, a professor of marketing at Goizueta Business School of Emory University, in a pre-recorded speech. Three case studies from Indonesia, Bangladesh and Singapore were presented. The presentations showed how digital content engages their customers with a specific product or brand.

BBF also celebrated its tenth anniversary at the event. Shariful Islam, founder and managing director of BBF, said they established the forum not only to brand companies but Bangladesh as a whole as well.

On the occasion, BBF launched its mobile app, where all the programmes and information of the organisation will be available.

At an earlier session, Charles C Villanueva, pro-vice chancellor of American International University-Bangladesh, and Syed Mahbubur Rahman, managing director and chief executive officer of Dhaka Bank, also spoke.

The annual Board of Management meeting of Asia Marketing Federation (AMF) took place on Friday in Dhaka for the first time.

A total of 32 representatives from 16 different member countries attended to focus on the year's theme: how to collectively make AMF more impactful through multilateral collaboration.

Post-Fed boost for small-cap stocks may be limited

REUTERS, New York

Small-cap stocks benefited from a dovish lining to the US Federal Reserve's decision to raise interest rates this past week, but strategists warn it will take more to make these pricey stocks outperform their larger brethren in the long haul.

The Fed on Wednesday raised rates by a quarter of a percentage point, as expected, but did not flag any plan to accelerate the pace of monetary tightening. A less aggressive monetary policy may benefit small-caps, which tend to get hit harder as borrowing costs increase when rates rise.

Stocks in the small-cap space rallied after the Nov. 8 election that put Donald Trump in the White House as investors bet Trump's plans to cut back on regulations and taxes would especially help small companies.

That hasn't panned out in the new

year, as they have underperformed the S&P 500 year-to-date. Their near-term performance hinges on how much the profit picture improves, but so far small-cap earnings have yet to rebound in the same way that large caps have. Investors consider small-cap stocks comparatively expensive.

"We're in a show-me state for small caps," said Steve DeSanctis, equity strategist at Jefferies. "We've gotten (price-to-earnings) multiple expansion, so you need earnings growth."

Fourth-quarter earnings for companies in the small-cap S&P 600 .SPCY were down 1.0 percent from a year ago, while the benchmark S&P 500's earnings rose 7.8 percent, Thomson Reuters data show.

Analysts expect profit growth for the S&P 600 in the first quarter of 2017, but at a rate still well below that of the S&P 500.

The S&P 600 is up just 1.4 percent

since Dec. 31, after rising 24.7 percent in 2016. The S&P 500 by comparison has gained 6.2 percent since the start of the year. At 20.4 times forward earnings estimates, the S&P 600 looks expensive compared with its long-term average of 17, Thomson Reuters data showed. The S&P 500 trades at about 17.8 times forward earnings, also above its long-term average.

The Russell 2000, a widely used gauge for small-caps, has a forward price-to-earnings ratio of 25.4, brushing against its highest level since 2009. Its 10-year average sits at 20.7.

"Growth and the interest rate trajectory are going to be two key factors," said Dan Suzuki, senior US equity strategist at Bank of America Merrill Lynch in New York. He thinks small caps may have more room to gain in the short run, especially if earnings surprise to the upside, but that valuations remains a negative.

Be less suspicious about FDI source: experts

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He requested the finance minister to allocate more funds for the maintenance of the projects under the development programme.

Prof Mahmud said many industrial plots were given to entrepreneurs over the years, but those have not been utilised properly. "So, land should be utilised properly and that is becoming pricier day-by-day."

Finance Minister AMA Muhith said there was an effort in the last 15-20 years to introduce a 'one-stop service' to attract FDI. "But we have never seen the service."

On export diversification, he said apparel will continue to grow as the major export item. "But we need to increase the number of other export items in the basket."

Abbar A Anwar, chief executive officer of Standard Chartered Bangladesh, said the government should issue sovereign bonds to set a benchmark for the foreign investors, as many are not aware of the stories of Bangladesh.

"It may be that you don't need the money, but the sovereign bond will set a

benchmark," he said, adding that policy continuity and tax incentives are important for attracting long-term investment.

Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry in Dhaka, said the BIDA can't be allowed to become another Board of Investment.

"Private sector involvement in the BIDA is a must, and the BIDA should have the authority to hire people from the private sector."

She said Myanmar and Pakistan are getting more FDI than Bangladesh because people don't know about Bangladesh. "The perception issue about Bangladesh needs to be dealt with."

Asif Ibrahim, vice-chairman of Newage Group, said apart from developing new infrastructures, the country needs to modernise all existing infrastructures to achieve higher economic growth.

He said the investment on infrastructure, which stands at only 2-3 percent of gross domestic product, is insufficient.

Presenting a keynote, PRI Executive Director Ahsan H Mansur said gross investment now stands at 29.4 percent of GDP.

But the private sector investment which accounts for 77 percent of the total investment, has virtually remained unchanged in relation to GDP, he said.

The investment level would have to go up to 34 percent to achieve the 8 percent economic growth target planned under the 7th five-year plan, he added.

Manzur of Apex Footwear suggested engaging multinational companies such as Unilever, British American Tobacco, Marico and Marks & Spencer that are operating in Bangladesh to build the country's brand image abroad.

He advised the government to improve the services at Hazrat Shah Jalal International Airport. "If I am a foreign investor, I would not come back for a second time to the airport."

Ctg trade fair begins today

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CCCI Senior Vice President Nurun Newaj Salim said the fair spawning on around four lakh square feet this year will have 35 different pavilions and 234 booths.

"Thailand will be the partner country of the fair while Mauritius is participating for the first time. India and Iran are also taking part in the event."

The fair will remain open from 10am to 10pm every day and the ticket price has been fixed at Tk 10.

CCCI directors Mahfuzul Hoque Shah and Mazharul Islam Chowdhury were also present.

Bangladesh overtakes China as top denim supplier to EU

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In terms of denim sales, the US and the UK are two major markets of Bangladesh.

Almost 70 percent of the population in the US wear denim products regularly, according to industry insiders. An average consumer owns seven denim products at any given time, they said.

Over in the UK, one of the largest clothing markets in Europe, each consumer owns an average of 17 denim garments.

Bangladeshi entrepreneurs supply denim products to major global retailers including Levi's, Diesel, G-Star RAW, H&M, Uniqlo, Tesco, Wrangler, s.Oliver, Hugo Boss, Walmart, and Gap.

The denim sub-sector could play a significant role in achieving the \$50 billion export target by the end of 2021, said Mostafiz Uddin, who organises denim expositions twice a year in Bangladesh.

Annually 2.1 billion pieces of denim are sold globally, according

to Bangladesh Denim Expo, the organiser of the exposition.

In 2014, the size of the global denim market stood at \$56.20 billion, Mostafiz said. By 2020, the global denim market will reach \$64.1 billion, while Bangladesh's denim export is forecasted to reach \$7 billion by the end of 2021.

It is estimated that the global denim market will grow by about 8 percent a year until 2020, Mostafiz said citing data from the Cotton Inc USA.

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