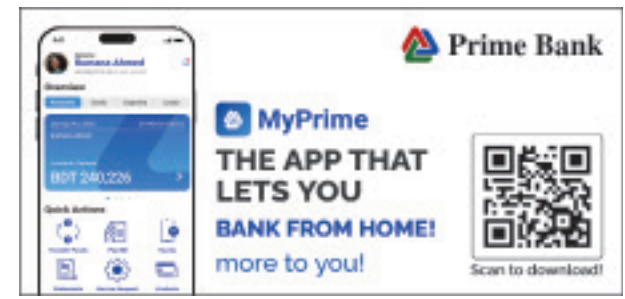


star BUSINESS



Raise SME loan ratio to 25% by 2024

BB asks lenders

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked banks and non-bank financial institutions to raise their loan disbursement ratio for cottage, micro, small and medium enterprises to 25 per cent of their outstanding loans by next year.

From 2024, of all the loans provided to this sector, 50 per cent must be distributed among cottage, micro and small enterprises, according to a central bank notice.

Moreover, at least another 15 per cent will have to be given out to women entrepreneurs, 40 per cent to manufacturing, 25 per cent to service and 35 per cent to trading sectors.

The central bank had issued almost the same instructions to lenders in 2019, said a Bangladesh Bank official.

But this time, it has slightly revised the

Many banks usually show reluctance to disburse loans for the sector as the majority of small and medium enterprises are unable to show required collateral

directives to give more clarity to lenders to this end, added the official.

Banks disbursed Tk 282,896 crore in loans for the cottage, micro, small and medium enterprise sector, which is 19.14 per cent of the outstanding loans disbursed by banks as of December last year.

This means banks will have to speed up their loan disbursements for the sector to attain the target, he said.

Many banks usually show a reluctance to disburse loans for the sector as the majority of small and medium enterprises are unable to show the required collateral, said a commercial bank official.

In addition, they deal with small amounts of capital, which is why they cannot absorb unexpected shocks emanating from the economy or other zones, said the official.

So, banks are cautious in disbursing loans for the sector, said the official.

What is DCTS?

Developing Countries Trading Scheme (DCTS) of the UK, a new trade facility replacing the Generalised System of Preferences (GSP) of the EU, will extend tariff cuts to developing countries as part of its post-Brexit efforts

BENEFITS UNDER THE SCHEME:

Bangladesh enjoys free market access as an LDC
After LDC graduation, the benefits will continue until November 23, 2029

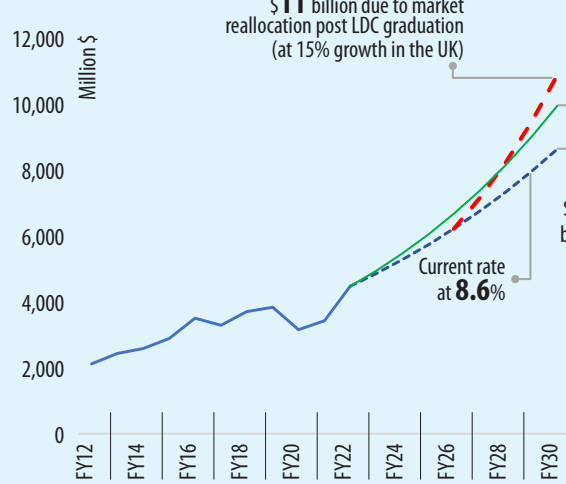
EXPORT TO UK

\$4.8b in fiscal 2021-22
UK third largest export destination

POTENTIAL NON-RMG PRODUCTS

Leather and footwear, agro-food and processed food, fish and shrimp, light engineering

PROJECTIONS: APPAREL EXPORTS TO THE UK



WAY FORWARD



Dissemination of market specific information



Establishing business relationships with brands and retailers



Showcasing high-quality non-RMG products in the UK



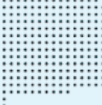
Removing anti-export bias and rationalisation of tariffs



Deepening incentives for the identified export sectors



Tackling infrastructural bottlenecks and improving port efficiency



Ensuring access to low-cost finances

CONSTRAINTS

- » Lack of knowledge about market/demand
- » Lack of integration with UK supply chain
- » Difficulties in meeting certification and standard requirements
- » High protection tariff

Export to UK may jump to \$12b by 2030

Think-tank RAPID projects as duty benefit to continue even in post-LDC era

STAR BUSINESS REPORT

Bangladesh's annual exports to the United Kingdom would reach \$12.3 billion by 2030 as apparel shipments will continue to enjoy duty-free market access in the country even after becoming a developing nation, according to a new projection.

"There are tremendous opportunities to raise exports to the UK," said Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development (RAPID), a think-tank.

The UK has recently announced the Developing Countries Trading Scheme (DCTS), which replaced the country's generalised system of preferences. This ensures that Bangladesh's apparel exports continue to get the duty-free access in the country.

Of the projected annual receipts of \$12.3 billion, \$11 billion would come from apparel shipments and the rest from the sales of non-RMG items.

"In a realistic measurement and considering the present economic situation, the export

earnings would be achievable," said Razzaque, while speaking at a stakeholder consultation titled "Expanding and Diversifying Exports to the UK Market" at the Brac Centre Inn in Dhaka.

The export to the UK was \$4.8 billion in the fiscal year of 2021-22 and the country is the third-largest export destination for Bangladesh, according to the Export Promotion Bureau (EPB).

Bangladesh's share in the UK's apparel market doubled to 14 per cent from 2010 to 2021, while China's share dropped to 21 per cent from 37 per cent, according to the RAPID.

"If more investments come in a planned way and the government supports the private sector,

Bangladesh's export to the UK would surge," said Razzaque.

He said it is still unsettled if Bangladesh's garment exports will continue to enjoy the duty-free market access in the EU after the LDC graduation.

"But the UK market is predictable now and entrepreneurs can invest in targeting the market," Razzaque said.

The potential of non-RMG exports is also high in the UK.

The sectors such as leather goods and footwear, agro-food, fish and shrimp, and light engineering can accelerate their export growth rate, Razzaque said while presenting a paper in the event.

Exporters also face some challenges and have a lack of knowledge and information about the developed market. So, they often find it difficult to meet the UK's standard and certification requirements, which are more stringent for small exporters.

There are supply-side challenges as well. They include technological constraints, limited access to finance, lack of skilled workforce, infrastructural bottlenecks such as improper transportation and logistics system and electricity shortage, excessive lead-time, and a lack of governance, according to the presentation.

On the other hand, the nominal protection rate, the percentage of the tariff imposed on a product as it enters a country, is so high that the sales in the domestic market are more profitable than export destinations.

"So, many producers are not targeting to export their products," Razzaque said, adding that domestic standards are much weaker than those in the export markets.

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Inflation, economic volatility top threats to businesses

PwC CEO survey says on Bangladesh

STAR BUSINESS REPORT

Higher inflation, macroeconomic volatility and geopolitical conflict are the top three threats for the business sector in Bangladesh for the next one year, according to the PwC's global CEO survey.

Chief executive officers in Bangladesh feel that they will be most exposed to the three threats in the next 12 months, said the global professional service provider in its survey titled "26th Annual Global CEO Survey 2023".

The CEOs think all three issues are potent enough to compound and reinforce each other.

For instance, the recent geopolitical uncertainties have increased fuel costs in Bangladesh, which in turn increased the cost of electricity while rising inflation pushed up the prices of raw materials.

"Collectively, these issues are impacting the production of export-focused manufacturing factories, thereby increasing the risk of depleting foreign reserves and increasing macroeconomic volatility," said the survey report.

In fact, the picture does not change much for the CEOs' mid-term outlook towards exposure to threats, suggesting a prolonged impact of the three issues, according to the survey.

In October and November, PwC surveyed 4,410 CEOs across 105 countries and territories, including a considerable number of CEOs from Bangladesh.

The CEOs expressed concern as higher inflation, driven by the impacts of the Russia-Ukraine war on the global supply chain, continues to hurt households, while the macro-economy instability persists.

When it comes to the question of medium to long-term threats, Bangladeshi CEOs have highlighted the increasing exposure of their businesses to climate change in the next five years.

Most of the CEOs feel that it's crucial for them to reinvent their businesses to become future-ready.

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STOCKS	
DSEX ▲	CASPI ▲
0.11% 6,220.24	0.01% 18,352.71

COMMODITIES	
Gold ▼	Oil ▲
\$1,916.70 (per ounce)	\$74.41 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.14% 57,634.84	▼ 0.80% 27,010.61	▼ 0.55% 3,155.54	▼ 1.12% 3,226.86



The 12th International Poultry Show-2023 kicked off at the International Convention City Bashundhara in Dhaka yesterday. Speaking at the inauguration of the three-day event, Agriculture Minister Muhammad Abdur Razzaque slammed poultry farmers and feed makers for over-profiteering through indiscriminate pricing.

PHOTO: RASHED SHUMON

Refrain from overpricing for profit

Agriculture minister urges poultry farmers

STAR BUSINESS REPORT

Poultry farmers and feed makers should refrain from over-profiteering by hiking prices indiscriminately, according to Agriculture Minister Muhammad Abdur Razzaque.

"The poultry industry should be profitable for all stakeholders, including consumers," he said.

Razzaque went on to say that although demand and supply mainly determine market stability, there are other factors that could influence it.

He yesterday made these remarks while addressing the opening session of the 12th International Poultry Show 2023 at the International Convention City Bashundhara in Dhaka.

The three-day event was jointly organised by the World Poultry Science Association-Bangladesh Branch (WPSA-BB) and Bangladesh Poultry Industries Central Council.

Speaking as chief guest, the agriculture minister slammed poultry breeders and feed makers for overpricing.

Citing how farmers spend about Tk 40 to rear a single chick, Razzaque questioned

why they end up selling it for Tk 70.

"They must sell each chick at a reasonable price of around Tk 45," he said.

Razzaque then said feed producers never incur losses as prices for their products are always adequate.

On the other hand, poultry farms, including layer and hatchery farms, and consumers usually incur loss.

So, the government should have a strong regulatory board or forum to monitor the market, he added.

Regarding the recent price hike of poultry meat, Razzaque said the cost might not come down for the next six to seven months. Prices are still high due to inadequate supply in the market, which was not expected.

However, Razzaque said poultry prices would not increase during the upcoming Ramadan.

"The prices have already increased though and this is not a good thing," he added.

As per data from the Trading Corporation of Bangladesh, chicken is currently selling for around Tk 240 to Tk 250 per kilogramme.

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