



Demand for green coconuts has increased in sync with the temperature in recent times not only for its water serving as a refreshing drink but also as a source of nutrition and health benefits. Packed with electrolytes, micronutrients and antioxidants in a composition similar to those of oral rehydration solutions, it can be used to replace fluid loss. In Khulna, each green coconut is retailing at around Tk 80 to Tk 100. The photo was taken near Khulna District Stadium on April 29.

PHOTO: HABIBUR RAHMAN

# Foreign funding for startups in Bangladesh still low

Investors cautious because of economic uncertainty: LightCastle

MAHMUDUL HASAN

Startups in Bangladesh raised about \$35.58 million in the first three months of 2023, according to LightCastle Partners, a Dhaka-based research and business consulting firm.

Of that, e-commerce platform ShopUp alone raised about \$30 million of the amount from UK-based lender Lendable and the local City Bank as debt financing, which is not typical startup funding, according to industry people.

So, the overall inflow of global funding for startups in the country remained very low in the first quarter of the year as the local and global economic downturn continued, they said.

Global inflationary pressures, macroeconomic disruptions and increased geo-economic fragmentation are causing shockwaves for economies across the world.

Covid-19 and the Russia-Ukraine war have exposed the fragility of economic interdependence affecting supply chains, commodity markets, and the flow of capital, LightCastle said in its "Bangladesh Startup Investment Report

2023: Embracing the Uncertainty" for Q1. Furthermore, the failure of three banks in the US that fund startups -- Silvergate Bank, Signature Bank, and Silicon Valley Bank -- further casts shadows on global financing for emerging companies.

As a result, global startup funding declined by 50 per cent from \$63 billion in January 2022 to \$31 billion in January 2023.

Against this backdrop, Bangladesh has secured \$35.58 million through 17 deals in the first quarter (Q1) of 2023, primarily spurred by small ticket funding from local investors.

"As global investors grow risk-averse and gravitate towards portfolio diversification, opportunities are emerging for Asian startups," it added.

In early February, ShopUp announced that it had secured \$30 million in debt financing from both local and global lenders. However, local analysts and experts say debt financing should not be considered as regular startup funding.

Debt financing is a kind of funding given to startups by any type of lender, including banks, for a certain period. It is like a traditional loan as a startup borrows

the money and pays it back with interest. Meanwhile, startup investments come from venture capital firms which in turn seek an equity stake in the business in the form of shares.

**The failure of three banks in the US that fund startups -- Silvergate Bank, Signature Bank, and Silicon Valley Bank -- further casts shadows on global financing for emerging companies**

"Although it is not regular startup investment, it can be seen as a positive as the debt financing was secured from a local bank," said a top executive of a startup wishing anonymity.

"There have been limited announcements of venture capital financing deals for later stage startups in recent quarters, which is concerning," he added.

In Bangladesh, the tech-startup industry has enjoyed years of a boom

driven by people's increasing access to the internet, higher smartphone penetration and a decade of economic growth.

Now, the founders and executives of technology start-ups are facing a new reality as global venture capital investors are becoming cautious regarding investments amid rising inflation and widespread economic uncertainty, said industry people.

Bangladeshi start-ups raised \$109 million in 2022, way lower than the \$415 million raised a year earlier, according to LightCastle.

But progress in the tech-startup segment has received a blow since the start of the war in Ukraine as the Federal Reserve, the central bank of the United States, has started to increase the key interest rates to combat higher inflation, raising the cost of funds raised by venture capital firms.

"As the later stage funding has dried up, it poses a threat to scalability for some startups," said AKM Fahim Mashroor, chief executive officer of bdjobs.com.

"This is because they will not be able to invest on acquiring new customers," he added.

## Dutch-Bangla Bank's profits edge up

STAR BUSINESS REPORT

Profits of Dutch-Bangla Bank grew 1.79 per cent in 2022 while its income from interest, commissions and charges increased at a higher rate.

The lender's profits stood at Tk 566 crore in 2022 while it was Tk 556 crore in the previous year, according to the company's financial report.

Its net interest income advanced 8.8 per cent year-on-year to Tk 1,689 crore. Commission, exchange and brokerage income of the bank almost doubled to Tk 377 crore.

Of the commission, exchange and brokerage income, its net gain on foreign currency soared 106 per cent to Tk 157 crore.

Its other operating incomes increased 15 per cent to Tk 394 crore. However, investment income of Dutch-Bangla Bank edged down 0.40 per cent to Tk 732 crore.

The bank's earnings per share stood at Tk 8.14 in 2022 while it was Tk 7.99 in the previous year. The bank's net asset value per share also stood at Tk 59.85 and Tk 53.13 in 2022 and 2021 respectively.

Stocks of the bank remained the same at Tk 62.60 at Dhaka Stock Exchange on Wednesday, the last day of trade of the week.

## Sterling hits 11-month high vs dollar

REUTERS, London

The British pound was steady against the dollar on Thursday having hit an 11-month high overnight after the Federal Reserve raised rates but signalled an end to its tightening cycle is in sight.

The US central bank raised its benchmark rate by a quarter point but dropped from its policy statement language that said it "anticipates" further rate increases would be needed, sending the dollar lower against other major currencies, including the pound.

"It (the pound) has capitalised on the weaker dollar in the wake of the dovish Fed decision," said George Vessey, foreign exchange and macro strategist at Convera.

By 1000 GMT, sterling was little changed against the dollar at \$1.2567, having hit its highest level since June last year at \$1.2593 overnight.

The pound was edging higher against the euro ahead of an expected rate increase from the European Central Bank on Thursday, with the size of the move still up for debate.

Markets are fully pricing in a 25 basis point move, with around a 20 per cent chance of a larger 50 basis point hike. Of 69 economists surveyed by Reuters, 57 expect a quarter point move, with the other 12 forecasting a 50 basis point hike.

The euro was last down 0.1 per cent versus the pound at 87.94 pence. Meanwhile, a survey showed Britain's services sector had its fastest growth in a year in April, boosted by new orders, while prices charged by businesses picked up pace, adding pressure on the Bank of England to keep raising interest rates.

## Higher costs, volatile dollar hit drug makers' profits

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With the expiry of the contract, there had been no income from the source in the reporting period of FY23, it added.

Despite multiple challenges, some companies logged higher profits. Of them, the profits of Acme Laboratories rose 5 per cent to Tk 168 crore between July and March.

A top official of Acme Laboratories said the profit grew mainly as it benefited from higher inventories.

"As a result, the price hike of raw materials did not impact our profits."

"But the industry is struggling because of the higher costs and these impacted us as well. So, the profit grew at a slower rate than the previous year."

The companies with a strong inventory were in a better position than those without, prompting some major drug makers to boost their

stocks of raw materials and finished goods as they don't expect the economic uncertainty at home and abroad to disappear anytime soon.

One of them is Renata, which had Tk 1,138 crore of inventories in March, up from Tk 849 crore in June.

Local companies are not witnessing lower profits alone. In fact, pharmaceutical companies around the world are staring at lower earnings.

According to a Reuters report in February, pharmaceutical companies that made billions from the pandemic over the past two years selling vaccines and treatments are now up against a steep Covid cliff and investor pressure to spend their windfalls wisely.

Company and analyst estimates suggest those sales could fall by nearly two-thirds this year due to built-up product inventories around the world, including in the countries that pay the most.

## Govt plans smaller rise in next ADP

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Tk 205,145 crore. But if the development budget for the SoEs was taken into account, the ADP stood at Tk 214,611 crore in FY21, down from Tk 215,113 crore in FY20, the first decline in terms of allocation in the country's history.

Although the general election is due early next year, the government has refrained from setting a higher spending goal mainly for lower-than-expected revenue generation, the dollar crisis, and the condition of keeping the primary deficit at 3 per cent of GDP attached to the loan programme of the International Monetary Fund and initiating expenditure control measures, among other factors.

Yesterday, Prof Shamsul Alam said the government will focus on ensuring production and increasing jobs in the next fiscal year.

"If we can keep production smooth, the prices of products would be lower and it will not stoke inflationary pressures."

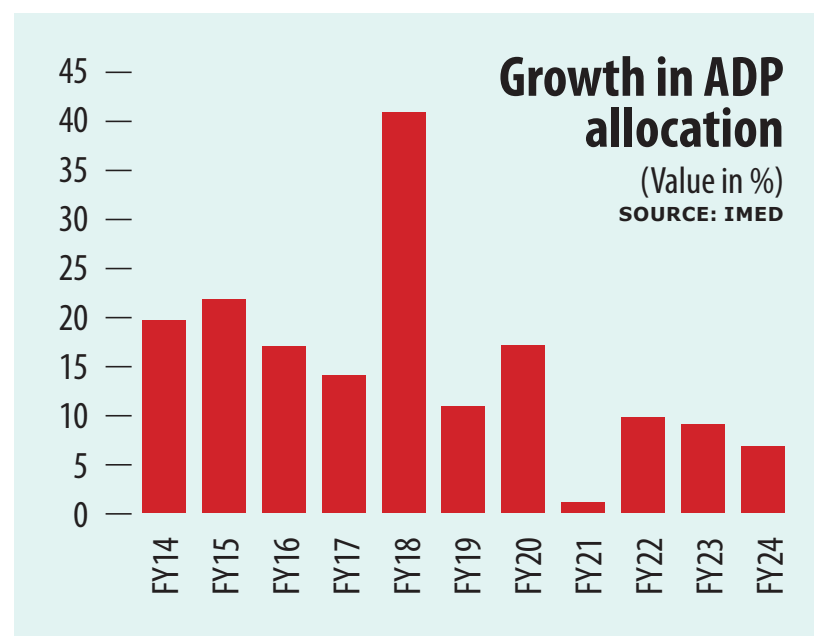
He said the government would take up projects on improving road networks and infrastructures at ports with a view to strengthening the supply chain.

"Nobody will be able to describe the upcoming budget as an ambitious budget."

Prof Alam said if the government increases its expenditure, borrowing will also increase. "As a result, it may increase inflation."

Amid the persisting dollar crunch, the government has taken a go-slow policy on self-funded projects. This is because many of these projects require imported materials, which put pressure on the country's foreign currency reserves.

The reserves have fallen by about 30 per cent in the past one year amid higher import bills and lower-than-expected export and remittance earnings. Lower revenue collection is another factor holding the government from raising the size of the ADP by a large margin. Tax collection grew 8.29 per cent



year-on-year to Tk 225,509 crore in the first nine months of FY23. The National Revenue Board will have to collect another Tk 144,491 crore in the fourth and final quarter of the financial year to attain its target.

"The government has no scope to enlarge the ADP size as the revenue collection is not growing at an expected level," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"Whatever revenue is being collected is almost being used to finance the operating budget."

He said usually, the government can borrow 50 to 70 per cent of the development budget. But the volume of borrowing is more than 100 per cent of the ADP.

"It's an area of discomfort for the government as the budget deficit is more than the ADP's size. This is happening as the government has not been able to raise revenue generation."

In Bangladesh, tax revenue remained among the lowest in the world at an estimated 7.6 per cent of GDP in FY22.

The ultimate solution is to increase revenue generation, said Mansur. "Otherwise, the government will have to borrow or cut its development spending."

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the lower increase in the ADP size has reflected the government's cost-cutting measures.

"This will affect the growth of the gross domestic product. It will negatively affect the private sector's growth and investment."

Real GDP growth is expected to decelerate to 5.2 per cent in FY23 due to rising inflation, a revenue shortfall, energy shortages and slower global growth, said the World Bank in April.

In the proposed ADP, Tk 169,000 crore will come from the government exchequer, up from 13 per cent from the current fiscal year.

For FY23, the government had set a foreign fund utilisation target of Tk 93,000 crore to ease the dollar crunch. But the utilisation rate is not satisfactory, so it plans to increase the size by Tk 1,000 crore to Tk 94,000 crore.

## 15 banks account for two-thirds

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Mohammed Monirul Moula, managing director & CEO of IBBL.

He then said IBBL carries out its CSR activities beyond the regulatory threshold.

CSR programmes of IBBL aim at the welfare and well-being of all people on Earth, the planet itself and its stakeholders, he added.

DBBL spent Tk 69 crore and Exim Bank spent Tk 63 crore last year to become the second and third highest spenders for CSR respectively, as per central bank data.

On the other hand, four banks -- Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Citizens Bank PLC and National Bank of Pakistan -- did not spend for CSR in 2022.

Of them, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank and Citizens Bank PLC did not make any profit the previous year, Bangladesh Bank said.

Chowdhury Liakat Ali, director of the sustainable finance department at Bangladesh Bank, said there is no specific directive from the central bank regarding the ratio of profit banks will have to spend for CSR.

However, banks have to share with the central bank the amount of their profit they will have to spend for CSR. In general, CSR spending accounts for 7 to 8 per cent of a bank's profit, he added.

A senior official of Bank Asia, which spent nearly Tk 24 crore, said the private bank invested mainly in health and education last year under CSR initiatives.

"We have contributed to the Prime Minister's Education Assistance Trust. Individually, we also have scholarship programmes for talented students," he added.

In the current year, Bank Asia is focusing on agriculture and has already provided three combine harvesters to farmer groups in haor areas of Sylhet to enable them to harvest their crops faster and avoid the risk of crop loss for flash floods.