



Workers are seen carrying stalks of Aus paddy for sale at a local market in Phultala upazila of Khulna. These stalks, which are a by-product of harvesting Aus paddy, have good demand year-round for use as cattle feed. A bundle of the stalks can cost up to Tk 15 depending on size.

PHOTO: HABIBUR RAHMAN

SMEs' struggles running rampant for economic instability: economist

STAR BUSINESS REPORT

The current macroeconomic instability in Bangladesh is presenting disproportionate challenges for small and medium enterprises (SMEs) compared to larger firms, according to an economist.

For example, SMEs are suffering from capacity constraints, policy and regulatory issues, a lack of financing, inadequate infrastructure and a skills gap, said Selim Raihan, executive director of the South Asian Network on Economic Modeling.

He was speaking at a seminar on improving the export capabilities of local SMEs at The Westin Dhaka yesterday. The event was organised by the Dhaka Chamber of Commerce and Industry (DCCI).

Raihan, also a professor of economics at the University of Dhaka, said the lengthy customs and trade regulations in place are impeding business prospects.

With this backdrop, he suggested reforms in both tax and trade policies and better implementation to support SMEs in the country.

"The tax system in Bangladesh lacks proper policy reforms and is not private investment friendly," he said.

Raihan also pointed out the problem of high default loans and other concerns in the banking sector.

"We have to address the high rate of non-performing loans, weak capital market, high operational cost of SME financing and weak integration with the financial system," he said.

DCCI President Sameer Sattar said despite having the potential to help boost the country's exports and overcome its foreign exchange shortage, SMEs are not getting adequate financing for foreign trade.

A recent study by the Bangladesh Institute of Bank Management on international trade finance and SME reported that SMEs are often not properly catered to by banks due to various reasons.

This includes their lack of collateral, lack of previous transaction information, high risk and lack of sufficient documents, he said.

Besides, the high bank interest rates

deter SMEs from borrowing.

"So, Bangladesh Bank could instruct and monitor all commercial banks to ensure the establishment of a SME cell in all branches so that SMEs can be better served," Sattar said.

SMEs are suffering from capacity constraints, policy and regulatory issues, a lack of financing, inadequate infrastructure and a skills gap

Banks also need to provide export financing tailored for SMEs, including credit insurance, export development funds and working capital loans, to address their related financial challenges, he added.

Shirin Sharmin Chaudhury, speaker of the national parliament, said local SMEs are resilient enough and contribute more than 30 percent to the country's gross domestic product (GDP).

Chaudhury said the SME sector still

faces various challenges and she hopes the policymakers will try to address these issues.

She added that despite the Covid-19 pandemic and Russia-Ukraine war, Bangladesh has been able to continue its commendable progress, securing 6.5 percent GDP growth in fiscal 2022-23.

Chaudhury informed that women entrepreneurs can take collateral free loans of up to Tk 10 lakh.

"Policymakers could also think about lowering the customs duty for the import of raw materials that are needed for SMEs," she said.

Canadian High Commissioner to Bangladesh Lilly Nicholls said Canada has underscored the need to sign free trade agreements with potential trading partners for furthering its economy.

With this backdrop, she emphasised on more research so that local SMEs can add value to their products and enhance their capacity in the export market.

Saudi Ambassador to Bangladesh Essa Yousef Essa Alduhailan said Saudi Arabia is putting more emphasis on developing its own SMEs as well.

Adopt sustainable technologies in agriculture sector Experts say

STAR BUSINESS REPORT

Although climate risks in agricultural production have increased over the years, Bangladesh could not adopt sustainable technologies in rural areas owing to a lack of proper initiatives, analysts said.

As a result, farmers across the country are incurring huge losses brought on by calamities such as floods, droughts, cyclones, uneven rainfall, extreme heat, increased salinity and water-logging, they added.

"Being a low-lying deltaic plain, Bangladesh is the most vulnerable country in the world in terms of the number of people affected with respect to sea level rise," said MG Neogi, deputy project leader of the University of Western Australia.

He said climate risks to agricultural production were expected to increase in coming decades, particularly in low-income countries where adaptive capacity is weaker.

"Salinity has been gradually engulfing new areas in the coastal regions of the country," Neogi made the remarks at a seminar titled "Climate Change Adaptation, Agricultural Innovation and Resilience", organised by Rangpur Dinajpur Rural Service (RDRS) Bangladesh at the Radisson Blu Water Garden in Dhaka.

He said farmers in the southern region used to cultivate boro rice and other winter crops in the dry season in the past and received a very good yield and income.

"It is high time to adopt and spread new technologies to save the small farmers, especially at a time when many big companies are entering the agriculture sector," said Shykh Seraj, director and head of news of Channel i

"Nowadays, after failing to get optimum yield again and again due to increased salinity and a severe scarcity of salt-free irrigation water, they stopped cultivating boro rice and other winter crops.

"As a result, about 4.39 lakh hectares of land in the coastal region remain as fallow lands during the dry season," said Neogi, who is also the winner of Swadhinata padak.

In the last 35 years, salinity has increased by 26 percent, heavily impacting the agriculture sector, according to data from the Soil Resource Development Institute (SRDI).

Shykh Seraj, director and head of news of Channel i, said Bangladesh could not popularise technologies such as biogas, alternate wetting and drying (AWD) and sack gardening.

"Many research-based technologies are still confined to paper; the government could not implement them in the fields," he said.

About spreading the use of biogas technology, he said: "It has not spread to rural areas due to a lack of funds from the farmers' side.

"It is high time to adopt and spread new technologies to save the small farmers, especially at a time when many big companies are entering the agriculture sector."

Atiur Rahman, former governor of the Bangladesh Bank, said solar irrigation pumps could be a saviour for farmers as well as the environment by reducing the use of diesel.

Third terminal Local companies display strength to open new horizon for overseas trade

FROM PAGE B1

However, Hossain alleged that even though local companies have attained the required quality and capacity, they were still denied the scope to supply steel for the main building of the third terminal.

He pointed out that the Japanese contractors responsible for implementing the Dhaka Metro Rail and Bangabandhu Railway Bridge projects used locally made prefabricated steel structures in their construction after ensuring that the products' quality was of global standard.

With this backdrop, Hossain urged the government to give international and local companies an equal opportunity to provide their products for such projects.

This is because contracting local companies with proven experience in delivering products of proper quality in a timely manner would help the country save foreign exchange and build up the capacity of domestic industries, he said.

RFL Group supplied pipes, fittings and fire detection systems worth a total of around Tk 60 crore for the HSIA third terminal project.

Kamruzzaman Kamal, director of marketing at PRAN-RFL Group, said only imported materials were once used in government projects.

"But now, the capacity of local companies has increased," he added.

Kamal informed that RFL's pipes and fittings, which are currently being exported to the US and other countries, were used in the terminal's water supply and electrical pipelines.

According to him, these products are being made with high quality raw materials in compliance with global standards.

"Moreover, RFL's firefighting equipment has been used for the first time in a mega project," he said.

"We have gained a lot of experience by being involved in the supply and replacement of the fire detection systems in this project," Kamal added.

Concord Group and ABC Group

were involved in constructing a major portion of the third terminal's main building while Mir Akhtar Hossain Ltd established a portion of the apron area, said Abdul Malek, chief engineer of the Civil Aviation Authority of Bangladesh.

He also said Amin Mohammad Foundation was involved with interior works for the third terminal while Arenas was tasked with providing the airport ground lighting.

"All types of internal cables were provided by BRB Cable Industries," said Rafiqul Islam Rony, director for marketing and sales at the company.

Among the steel makers, BSRM, AKS, GPH Ispat, Anwar Ispat and KSRM provided mild-steel rods for the construction of the iconic third terminal.

"We supplied epoxy coated bars and reinforced bars that no one else

makes in Bangladesh. We developed these products specially for this project," said Tapan Sengupta, deputy managing director of BSRM.

The project requires a total of about 90,000 tonnes of steel, of which they still need to purchase more than 10,000 tonnes for pending works.

"We provided a significant quantity of the required steel," Sengupta said, adding that they have been recognised by Samsung as a "global partner" as a steel supplier.

Among the local cement makers, Seven Circles, Shah Cement, and Premier Cement provided the lion's share of cement for the project.

Mohammed Amirul Haque, managing director of Premier Cement, said there is no mega project where local cement manufacturers were not involved in supplying the key construction material.

has not faced so much pressure all at once as it is currently doing now.

The MGI chairman said overall consumption has declined owing to elevated inflation. So, fixed-income people are having a tough time.

Prices of commodities have declined globally. However, consumers in Bangladesh are not getting the benefit because of the depreciation of the taka by 28 percent in the last one and a half years, said Kamal.

He urged the government to bring down import tariffs on essential commodities such as sugar.

The entrepreneur says the government's regulatory agencies and service providers are hiking fees, particularly for the renewal of licences. "It seems that they are increasing rates by competing with each other."

Kamal thinks the pressure on the economy would be temporary.

"And Bangladesh will be able to fight the crisis if authorities take proper measures, including against money launderers."

"We need to focus on how we can accelerate exports and diversify and expand the export basket to increase the foreign currency inflow. We all have to work collectively for this. There is no other alternative."

Illicit financial flows

FROM PAGE B1

His views come as the country's foreign exchange reserves have kept falling since external payments continue to be higher than the inflows, mainly through exports and remittances.

Bangladesh which had \$33.4 billion in forex reserves at the end of 2021-22 saw it plummet to \$21.05 billion on October 5, data from the central bank showed. It was about \$40.7 billion in August 2021.

Remittances hit a 41-month low in September even though a record number of people went abroad for jobs in 2022-23. Export growth has also slowed.

"We hear that even our exporters are bringing back export proceeds slowly in anticipation of further appreciation of the dollar against the taka. Besides many people feel shaky ahead of the election."

So, policymakers and authorities should take the issue of illegal money outflows seriously and take action accordingly, Kamal said.

The businessman cited that authorities in Pakistan have already taken measures. And even Singapore, a compliant country, has initiated action against money launderers.

Last week, the Island nation said it seized assets of \$2 billion in money laundering cases.

"Our main problem is money laundering. It has to be stopped," Kamal said.

Kamal began business by importing commodities initially before starting to set up industries in 1989.

He says the rating downgrade of Bangladesh by international rating agencies has created problems for local businesses when it comes to opening letters of credit (LCs) and ensuring their confirmation by financial institutions abroad.

"International lenders are not showing any interest in confirming LCs. And when they confirm LCs, they are taking higher charges."

The 68-year-old says Bangladesh

BTRC serves notice

FROM PAGE B1

solutions and not being able to properly keep usage logs, said the two.

"We have initiated Cyclone CRM and Billing Platform just to bridge that gap."

The platform allows ISPs to reach remote townships at a sustainable cost through Fiber@Home's transmission network, they added.

During the implementation of the platform, they were aware about the tariffs defined by the BTRC for each stakeholder, including VAT, tax and revenue sharing, the firms said, adding that they were adhering to the BTRC's tariff guidelines and regulations.



A senior official of a local steel maker says the government should give international and local companies an equal opportunity to provide their products for such projects.

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