

# Hope beyond the lingering uncertainties

## LightCastle Business Confidence Index 2022-23

In the LightCastle BCI report launching event, the roundtable discussion session offered a meticulous exploration and constructive analysis of the report's key findings and their implications for businesses, investors, and policymakers. It specifically focused on identifying collaborative strategies and recommendations for enhancing business confidence and promoting sustainable economic growth in the country. The session was moderated by M Masrur Reaz, Chairman and CEO of Policy Exchange Bangladesh. In the discussion session, the industry leaders shared their thoughts on the current business climate, impending challenges and future expectations from their sectors.

LightCastle Partners, a leading management consulting firm in Bangladesh, launched the fifth edition of its flagship annual publication, The LightCastle Business Confidence Index (BCI) 2022-23, in partnership with The Daily Star. The study report was launched this week in a round table discussion including reputable industry leaders hosted by the LightCastle Partners.

This year, the LightCastle BCI report assessed the perspectives of 167 thought leaders across 25 major sectors, encompassing multinational corporations, local conglomerates, startups, and SMEs, providing a comprehensive understanding on Bangladesh's dynamic business climate. The study utilises the Harmonised Expectation Indicator to take the geometric average between expectation and situation to provide a quantitative output of the sentiment on a scale of -100 to +100, where a positive number indicates better expectations than current outcomes.

Despite facing structural shifts, Bangladesh's private sector has shown a slightly positive outlook in cumulative business confidence with an overall score of +6.69. Remarkably, the local SMEs have fared better (+14.91) than local conglomerates and MNCs (+6.31). The difference in scores is mainly driven by international headwinds, as the performance of the larger organisations tends to fluctuate more significantly with the changes in the global market. While the 2023 BCI remains positive, it is comparatively lower than the previous year (+28.69), indicating a marked drop in overall business confidence. The decline in the index is subject to slower economic growth, policy-driven bottlenecks, impeded international trade, rising costs, and reduced consumer demand due to lower purchasing power.

In this edition, the study delved into the private sector's journey amidst economic headwinds driven by geopolitical challenges, with a specific focus on the impact of the Russia-Ukraine war resulting in global inflation, leading to a higher balance of payment deficit and increasing domestic foreign



ILLUSTRATION: ZARIF FAIAZ

increasing holistic demand, and higher levels of government incentives. Among the top-ranked sectors, IT/ITES was identified as having the highest potential, with more than half the respondents highlighting its prospects. Due to the country's growing adaptation to digitalisation, this sector has shown high prospects in the last four editions of the study as well.

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way the currency was devaluating, measures like restricting imports were necessary, which has proved to be effective. But it is a phase and things will come back to normal soon. We have to be positive about riding the curve; whoever does will come out successful through the other end; it is just a matter of time.

**AMRITA MAKIN ISLAM,**  
*Deputy Managing Director, Picard Bangladesh Limited:*



One of the very nascent issues that we have now is the speed to market. In these tumultuous economic times, we have

had a bullish response from buyers and investors alike, who are trying to shift their production from China to Bangladesh. However, the leather and footwear section gets a lot of hate for its raw material and lack of ETPs. If we look at the sustainability factors, we need to separate leather and leather goods; a lot of which can also be made from non-leather materials, representing a good opportunity for us to enter the global market through sustainable business practices.

**KABIR AHMED,**  
*President, BAFFA:*



In Bangladesh, the Freight Forwarders Association is hardly talked about, with most people not having a good idea regarding BAFFA's

function and contributions. However, thanks to the Bangladesh government which aims to have a logistics policy by April 2024, the sector will have more discipline. However, our clearance system is supposed to transition to a paperless one, but there has not been progress on that front. Instead, more paperwork is being introduced. We are being held back in this aspect, if we compare it to our peer countries.

**PRITI CHAKRABORTY,**  
*Chairman, Universal Medical College & Hospital Ltd.:*



Healthcare is a sector that is indispensable - that is an opportunity within the sector but might also be a challenge. During COVID, the healthcare sector thrived. However, right now, healthcare is at a point which needs revival, and PPP is a great way to do it. In the PPP model, if GoB gives land, it cannot be recognised as collateral, and managing bank financing is difficult. The first policy for PPP should be the mortgage-ability of land so that the

process gets integrated.

**WAHID SHARIF,**  
*President, BACCO:*



local demand and in the process, develop expertise to cater to the global market as well. Policymakers and regulators are disconnected from the private sector. Inefficient policies drive up costs for production, shrinking margins, and reducing the ability to invest.

**ASIF IBRAHIM,**  
*Vice Chairman, Newage Group of Industries:*



Raw material unavailability and rising prices is a short-term thing, expected to get back to normalcy in time. More importance should be given to formulating and implementing efficient policies. Access to finance is a big problem as well; unfortunately, the capital market cannot provide long-term capital; a new SME platform has been launched which is a positive sign. Inefficient HR is a big problem, especially in middle management; The recent infrastructural development will support the expansion of businesses through improving connectivity.

**AMER SALIM,**  
*Director, Knit Asia:*



In the next 6 months, one of our main agenda is the Wage Board Structure. Minimum wage means a helper's salary, not a worker's salary. Fixing this at around BDT 30-40K a month would have ramifications for a lot of industries. Furthermore, in order to prepare ourselves to target the high-value market, we need to work on updating the HS codes and necessary import policies for raw materials for the RMG sector to avoid unnecessary taxation.

**SYED JAVED NOOR,**  
*Deputy Managing Director, IDLC:*



The Capital market is not geared to supply long-term capital. Hence, we need stronger banks, as per conditions set by the

IMF. Without this, it would be very difficult to supply long-term capital to these businesses. We need to solve the fundamental problem of NPLs for the overall economy to grow.

**ZAHEDUL AMIN,**  
*Co-founder & Director, LightCastle Partners:*



Despite the obvious pessimism prevailing among the interviewed C-suite members, almost everyone is positive about the medium term prospects of the economy, with economic fundamentals indicating a more robust growth within the next 5 years. While export led sectors have ruled the roost, economic growth will increasingly be fueled by inward looking sectors benefitting from a growing middle income class. Expert diversification, innovation, productivity enhancement initiatives will enable employment generation, boost cost competitiveness, attract FDIs and drive sustainable and inclusive growth.

**SAMAD MIRALY,**  
*Executive Director, Olympic Industries Limited:*



We have for so long not concentrated on manufacturing efficiency, it is now time to do that rather than opting for cheap labour. Some companies might not survive, but that is not necessarily a pessimistic outlook but just market dynamics doing their thing. We need to figure out which products and services to use and how to grow our individual businesses amid the economic uncertainty. If we have innovative technology, it is now the time to market them. We didn't need to integrate them in the past since the margins and growth were fine but now is high time the chance of selling it is better tomorrow than yesterday.

### MODERATOR

**Mr. M Masrur Reaz,**  
Chairman & CEO, Policy Exchange Bangladesh

### LIGHTCASTLE WAS REPRESENTED BY

**Ivddad Ahmed Khan Mojilish,**  
Managing Director, LightCastle Partners  
**Zahedul Amin,**  
Director, Finance, Strategy and Consulting Services  
**Bijon Islam,**  
Chief Executive Officer

## PARTICIPANTS OF THE ROUNDTABLE DISCUSSION SESSION:

NAME	DESIGNATION	ORGANISATION
Aameir Alihussain	Managing Director	BSRM
Amrita Makin Islam	Deputy Managing Director	Picard Bangladesh Limited
Asif Ibrahim	Vice Chairman	Newage Group of Industries
Kabir Ahmed	President	Bangladesh Freight Forwarders Association (BAFFA)
Mohammed Zahidullah	Head of Sustainability	DBL Group
Priti Chakraborty	Chairman	Universal Medical College & Hospital Ltd.
Syed Javed Noor	Deputy Managing Director	IDLC
Wahid Sharif	President	BACCO
Samad Miraly	Executive Director	Olympic Industries Limited
Amer Salim	Director	Knit Asia
Raisul Kabir	Co-Founder & CEO	Brain Station 23 Ltd.
Imran Kadir	Head of Sales & Marketing	The Daily Star

exchange crisis. Moreover, the report highlighted the major challenges in the business climate having 70% of businesses reporting rising costs of raw materials and weak demand as major challenges. Additionally, financial challenges surfaced as a result of financial irregularities, high levels of NPL, cash shortages, reduced savings, and currency devaluation. Inefficient human resources and lack of beneficial policy implementation.

The report identified RMG, Pharmaceuticals, IT/ITES, Agro-Processing, and Agro-Commodities as promising industries in the next 2-3 years. This year's BCI saw a new addition to the chart - Agro-Commodities - with a focus on ensuring food security. The identification of the prospective sectors was influenced by factors such as technological adaptation,

country. The session was moderated by M Masrur Reaz, Chairman and CEO of Policy Exchange Bangladesh. In the discussion session, the industry leaders shared their thoughts on the current business climate, impending challenges and future expectations from their sectors.

**MR. AAMEIR ALIHUSSAIN,**  
*Managing Director of BSRM:*



In the West, having even more than 1% growth would be a cause for celebration, whereas we are growing at over 5%.

The current situation might be difficult, but I believe we will recover. Because of the