Islami Bank fetches record $700m in remittances in January

STAR BUSINESS REPORT

Islami Bank Bangladesh, the largest Shariah-based bank in Bangladesh, fetched $700 million in inward remittances in January, the highest amount in a single month.

The bank's market share is around 35 percent of the country's total remittances, and it has retained the top position in remittance collection for the last 16 years, it said in a statement.

Islami Bank's full-year collection of remittances was $5 billion in 2023, which accounted for 23 percent of the total inflow.

Islami Bank has a global network with 594 banks and financial institutions in 64 countries, and agreements with 155 banks and exchange houses in 21 countries for collecting remittances through banking channels.

Shasha Denims' profit falls 15%

STAR BUSINESS REPORT

Shasha Denims, a leading denim manufacturer and exporter, recorded a 15 percent year-on-year decrease in profit for the second quarter of the financial year 2023-24.

Its profit was Tk 8.65 crore in Q2 of FY 24, down from last financial year's Tk 10.15 crore.

Thus, the company's consolidated earnings per share stood at Tk 0.62, down from previous year's Tk 0.77 of, according to its financial report.

The denim exporter also saw its half yearly profit go down by 28 percent year-on-year to Tk 12.51 crore in the July-December period of FY24, it was Tk 17.46 crore in the July-December period of FY 23.

CartonCraft to build $2.5m factory in Mirsarai

STAR BUSINESS REPORT

CartonCraft Ltd, a Bangladeshi company, will establish a packaging and accessories manufacturing plant with an investment of $2.51 million at Bangladesh Export Processing Zones Authority's (Bepza) economic zone in Mirsarai.

The investment will create employment opportunities for 325 Bangladeshi workers, with an annual production of 72 million pieces of corrugated cartons, poly, and elastic, tags and 28.8 million metres of gum tape.

Workers are unloading imported urea fertiliser from a lighter vessel docked at Khulna Ghat, a river port on Rupsha river. The workers earn about Tk 6 for hauling each 50-kilogramme sack, which is then delivered by truck to various parts of the country. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Bangladeshi vessels start avoiding Red Sea

Govt guidelines issued for ships using the route

DWAIPAYAN BARUA, *Ctg*

Most Bangladeshi oceangoing vessels have started avoiding the Red Sea as part of safety measures since the Houthis launched attacks on merchant ships crossing the route at the end of last year.

Meanwhile, Bangladesh's Department of Shipping issued a circular on January 29 giving a set of transit guidelines for Bangladesh-flagged vessels.

In the circular, the Department mentioned what security measures the vessels should take while passing the Gulf of Aden, Bab al Mandeb Strait, Red Sea and Yemeni coast, the areas mostly attacked by the Houthis.

Azam J Chowdhury, chairman of Bangladesh Ocean Going Ship Owners' Association, confirmed the oceangoing ship operators' decision of not using the risky route.

Ships are facing additional fuel cost for taking longer alternative routes and bearing extra war risk insurance, which are increasing their expenditure, he told The Daily Star.

The merchant ships, particularly those are now seriously threatened which have connections with Israel through business ties like ownership, port calls, commerce, operators, managers and charterers, the circular said.

"However, due to their closeness to a missile or drone attack against another target or because of inaccurate targeting, transiting vessels that are not involved in Israeli trade may likewise be at risk of collateral damage," it alerted.

The Department of Shipping recommended Bangladeshi ships proceed with utmost caution and adhere to its guidelines while operating in the area.

The Bangladeshi vessels need to register with the United Kingdom Maritime Trade Operations and maintain communications round the clock with it and the Combined Maritime Forces through a voluntary reporting scheme, including reporting any incident or suspicious activity, the circular read.

> **Ships are facing additional fuel cost for taking longer alternative routes and bearing extra war risk insurance, which are increasing their expenditure**
>
> **Azam J Chowdhury**
> Chairman of Bangladesh Ocean Going Ship Owners' Association

There are 99 Bangladeshi oceangoing vessels mostly bulk careers and oil tankers, including eight container vessels.

Many of the bulk careers and oil tankers very often use the route while plying from Asia to the Europe.

The shipping regulatory body has also asked the Bangladeshi vessels to "undertake a ship- and voyage-specific risk assessment before entering the region".

The assessment should consider factors such as safe speed, day/night transits, bridge manning levels, etc, according to the circular.

It recommended the master of the vessel retain ultimate responsibility for ensuring the vessel's safety and security and should plan routes accordingly.

All stakeholders are advised to adhere to the "Best Management Practices-5" while transiting through this region, it said.

Mohd Meherul Karim, CEO of Chattogram-based SR Shipping, a concern of KSRM Group with 24 oceangoing vessels, told The Daily Star that his company has decided to completely avoiding the route.

Bangladesh Shipping Corporation (BSC) Managing Director Commodore Mahmudul Malek said five of its oceangoing ships are currently plying on different sea routes.

One of the BSC vessels is scheduled to travel from an Asian country to the Europe soon and the vessel's charterer has been asked to refrain from using the Red Sea and take alternative route through Africa's Cape of Good Hope.

Earlier in 2022, a bomb attack at a Ukrainian port damaged Banglar Samriddhi, a ship of the BSC, killing a crew.

Mohammad Abu Taher, general manager of Mercantile Shipping Lines Ltd, a concern of Meghna Group of Industries that owns 22 ships, also said his company's vessels are not using the high-risk war zones, including the Red Sea.

Startup ecosystem: challenges and agenda for scale-up

MAMUN RASHID

The world's economic landscape is changing, shifting influence from the West to the East. In this transformation, Bangladesh, marked by a tech-savvy youth population is on the path of emerging as a promising hub for startups.

Startups, offering quick growth, learning chances, fairness, talent recognition, high reciprocity, and empowering culture, appeal to bright graduates instead of traditional corporate routes.

Bangladeshi startups encounter a significant hurdle due to a lack of guidance, impeding early-stage funding and sustainable growth. Many face challenges in obtaining initial funding and struggle to scale up, resulting in only one unicorn in the country.

Incorporating debt at these early stages not only diminishes the runway for startups but also acts as a hindrance to their scalability, given the uniform payment cycles and higher cost of capital.

Several startups faced setbacks as key foreign investors withdrew investments, leading some companies to squeeze their operations. The e-commerce sector, despite its vast potential, has faced challenges due to financial malpractices, leading to diminished investor trust.

To attract more investment, startups need to craft a clear growth plan, share past results for risk assessment, and develop a robust financial model with a balance of aggressiveness and defensibility. Notably, there is a tendency among Bangladeshi startups to replicate successful global models, indicating a need for more authentic innovation. Sharing a unique business story can help investors assess performance benchmarks and build a strong case for the startup's value.

The hesitancy among Bangladeshis to invest in startups stems from a lack of visible success stories. Bridging this gap requires showcasing successful case studies and emphasising potential returns. Crowdfunding initiatives play a vital role in democratising capital access, empowering a diverse range of entrepreneurs and fostering innovation.

Startups find it hard to get regular funds like bank loans due to higher risks. There aren't many angel investors or venture capitalists around. Foreign investors stay away because of problems like not enough support for businesses, too much bureaucracy, complicated taxes, and corruption.

International private equity and venture capitalists also face challenges in withdrawing funds after investing in Bangladeshi companies. Securing permission from the central bank for substantial capital transfers during exits is a complex process.

In Bangladesh, convertible notes and SAFE (Simple Agreement for Future Equity) notes aren't officially recognised for deals. Most investments happen through equity, resulting in lengthy negotiations on valuations.

Offering an IPO to raise capital is one of the popular approaches in the international market. But due to the turbulence in the capital market, startups don't want to go public, making the exit process harder for private investors. Streamlining these procedures would simplify access to foreign funds and enhance the smooth repatriation of international investments.

To scale rapidly, securing suitable investors and cultivating strong relationships is vital. A strong alignment between the business's goals and the investor strategy is essential for successful collaboration and growth.

Innovation is fundamental for staying attuned to customer needs and business scalability. Startups aiming to scale must prioritise corporate governance, ensuring transparency, accountability, and effective decision-making.

As a startup expands its customer base, it must ensure its operational model supports growth, with adequate resources and sound financial foundations. Managing cash flows is crucial.

Diversifying a startup's business is crucial to avoid dependency on a single large portfolio, reducing the risk of a business failure if that sole relationship ends. Therefore, strategically fostering self-sufficiency can bestow a significant advantage.

The author is an economic analyst. This write-up is based on a recent discussion on "Scale-up challenges for the startup ecosystem in Bangladesh" at EMK Centre.

The author is an economist

Central banks should not rush into rate cuts

Says IMF managing director

AFP, *Washington*

The IMF sees a greater risk to the global economy if central banks start cutting interest rates too soon than if they move "slightly" too late, Managing Director Kristalina Georgieva said Thursday.

The US Federal Reserve, the European Central Bank (ECB) and others have held interest rates elevated in recent months in an attempt to bring inflation back down toward target, following a post-pandemic surge in prices.

With inflation now falling in many of the world's advanced and emerging economies, attention has now turned to when they should start cutting rates to stimulate investment and economic growth.

"Our team has looked back in history, and the conclusion they drew is that the risk of premature easing is higher than the risk of being slightly behind," Georgieva told reporters during a briefing at the International Monetary Fund in Washington.

"But don't keep it tight if you don't have to," she said. "So look at the data, act on the data."

Georgieva's comments come a day after the US Fed's rate-setting committee voted to hold interest rates steady.

At a press conference following the decision, Fed Chair Jerome Powell poured cold water on the idea of an interest rate cut at its next meeting in March -- sending stocks on Wall Street lower.

Earlier in the week, ECB President Christine Lagarde said policymakers were confident that a rate cut was coming, but would not commit to a specific date.

Georgieva told reporters on Thursday that the United States was close to achieving a so-called "soft landing," when policymakers bring inflation back to target without triggering a recession.

"If you carefully assess the Fed posture, it is one that recognizes the job is not quite yet done," she said, adding that the timeframe being discussed by policymakers for the first rate cut was only "a matter of months," and not much longer.

"We are poised for soft landing, it's not done," she said. "You're still 50 feet above ground and we know that until you land it's not over."

READ MORE ON B2

China economic slowdown to persist through 2028: IMF

AFP, *Beijing, China*

China's economic slowdown is likely to persist in the coming years as the Asian giant struggles with sagging productivity and a rapidly aging population, the International Monetary Fund (IMF) said Friday.

The world's second-largest economy last year saw some of its slowest growth in decades, as a debt crisis in the property sector added to geopolitical tensions and weakening global demand.

And an IMF report on Friday forecast growth to decline further to 3.5 percent by 2028 "amid headwinds from weak productivity and population aging", adding that "uncertainty surrounding the outlook is high".

It previously forecast growth of 4.6 percent for this year.

Driving the slowdown is a years-long crisis in the country's real estate market, once a key growth pillar but now mired in debts that may threaten China's financial system.

Property giant Evergrande has become a symbol of the sector's woes, racking up astronomical debts of more than $300 billion.

A court in Hong Kong this week issued an order that should kickstart the liquidation of Evergrande's overseas assets, though the company insisted the decision would not affect its domestic operations.

And the IMF report warned a continued slowdown in the property market "could further weigh on private demand and worsen confidence".

Employees work on an assembly line producing wheel loaders at a factory in Qingzhou, in eastern China's Shandong province, on January 17.

PHOTO: AFP

Sonali Jain-Chandra, Mission Chief for China at the IMF's Asia and Pacific Department, told a media briefing Friday that the sector was "in the midst of a multi-year transition to a smaller and more sustainable size".

"Some of this adjustment has happened, but we're still in the midst of it," she explained, adding that "more needs to be done" to prop up the ailing sector.

China's economy grew by 5.2 percent last year, according to official statistics, beating a modest target of around five percent.

Exports -- long a key driver of growth -- notched their first decline in seven years, dragged down by notable tensions with Western countries and a decline in global demand.

Chinese officials are due to release their growth target for 2024 in March.