

# Star BUSINESS

REGULAR  
STAR BUSINESS  
INSIDE



## LEVERAGING THE POWER OF SMEs

PRIYAM PAUL

Small and Medium Enterprises (SMEs) are vital to the economic development of countries, particularly in developing nations like Bangladesh. This sector is considered the financial backbone due to the large number of entrepreneurs it produces. Renowned for its labour-intensive nature and short gestation period, the SME sector significantly boosts national income and generates rapid employment opportunities.

SEE PAGE J3

ILLUSTRATION: SOJIB ROY

এসএমই উদ্যোগে সমৃদ্ধ দেশ  
স্মার্ট অর্থনীতির বাংলাদেশ

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# OVERVIEW OF SMEs IN BANGLADESH

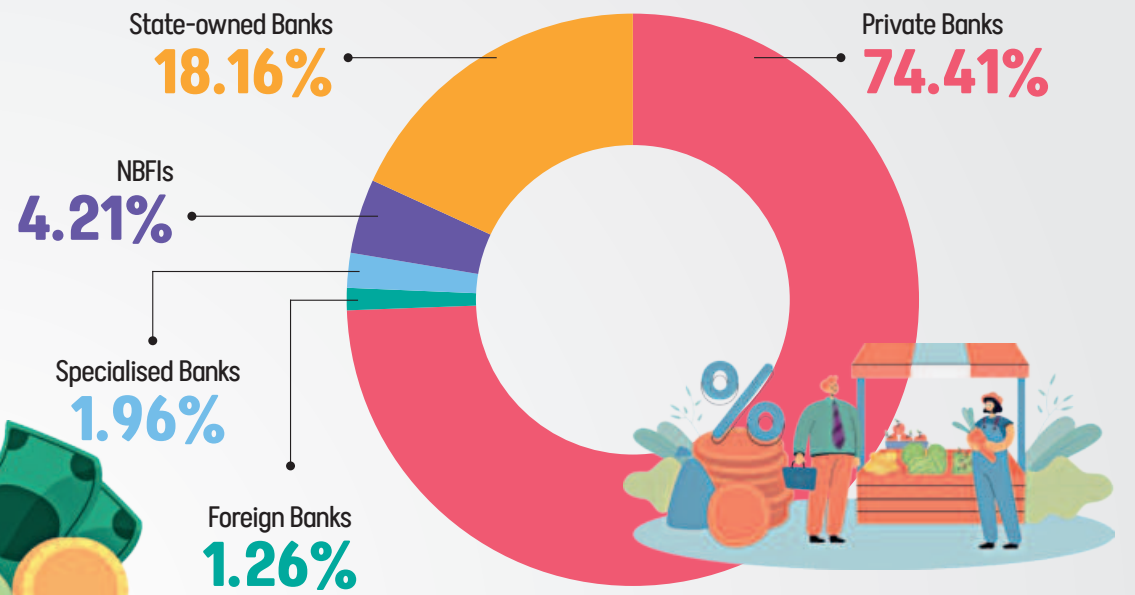
- Number of SMEs in Bangladesh  
More than **10** million
- Number of employees in MSMEs  
About **24** million people
- Women-led SMEs  
**7.2** % (Economic Census 2013)

SMEs' Contribution to GDP	
COUNTRY	SHARE (%)
Bangladesh	30-32
India	60
China	70
Vietnam	50-60

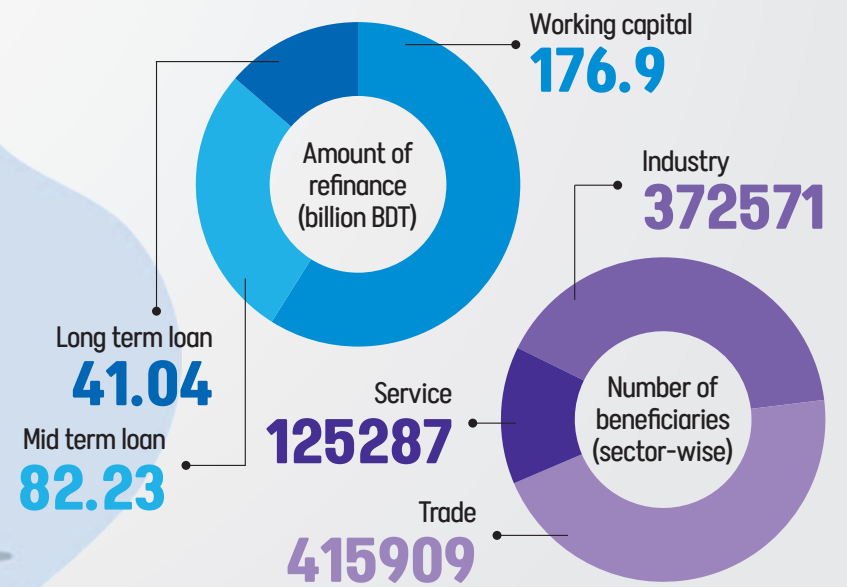
## KEY STATISTICS

- Number of CMSME enterprises received loans from Banks and NBFIs 369016 (By October-December, 2023)
- Number of enterprises in rural areas received loans from Banks and NBFIs 95,988 (By October-December, 2023)
- Recovery Amount (Cumulative) BDT 201,128.62 Crore

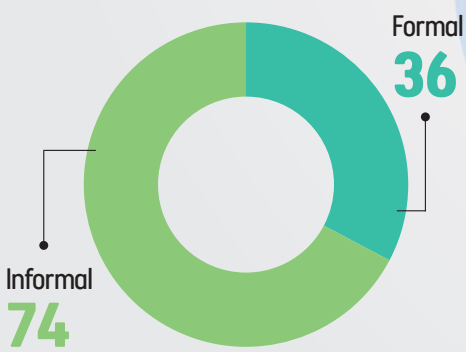
## INSTITUTION-WISE SHARE OF OUTSTANDING CMSME LOANS (END OF DECEMBER, FY24)



## REFINANCE ON CMSMES UNDER DIFFERENT REFINANCE SCHEMES OF BANGLADESH BANK (UP TO JUNE 2023)



## SME LOAN SOURCES



SOURCE: BANGLADESH BANK REPORT AND SME FOUNDATION.

City Bank Plc

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Notes:

- Profit rates are tied to SOFR and €STR rates, but locked in at deposit. Currently, 3 months FD rate in dollars is 6.82%, 1 year is 6.65%, and 4-5 years is 8.40%. Invest or spend in Bangladesh without any prior approval, or transfer your money and profits abroad anytime.
- National Board of Revenue (NBR) SRO no. 100, dated 22 April, 2024.
- Priority Pass benefits apply to IB Account holders.
- Open to both Bangladeshi and foreign individuals and company entities.
- Bangladeshi individuals and entities residing abroad or in Bangladesh can open and operate IB accounts.

দেশের অর্থনৈতিক উন্নয়নের লক্ষ্যে এসএমই ব্যাংকিংয়ের আওতায়  
এক্সিম ব্যাংকের বিনিয়োগ সেবা

## এক্সিম অবলম্বন এক্সিম উদ্যোগ

ক্ষুদ্র ও মাঝারী পর্যায়ের ব্যবসা এবং শিল্প প্রতিষ্ঠান পরিচালনা এবং সম্প্রসারণের জন্য শরীয়াহ্ ভিত্তিক বিনিয়োগ স্কিম

ক্ষুদ্র ও মাঝারী পর্যায়ের পোলট্রি, ডেইরি ও মৎস্য খামারের স্থায়ী ও চলতি মূলধনী বিনিয়োগের উদ্দেশ্যে পরিচালিত বিনিয়োগ প্রকল্প



**EXIM BANK**  
শরীয়াহ্ ভিত্তিক ইসলামী ব্যাংক

এক্সপোর্ট ইমপোর্ট ব্যাংক  
অব বাংলাদেশ পিএলসি.

## MORE FUNDS AND digitalisation needed

Currently, the total contribution of our country's CMSME sector towards our GDP is around 27 percent. Just a year ago, it used to be 24 percent. It is a good sign that the percentage is increasing, but at a slower rate. Japan, an advanced economy with ongoing mega projects and big venture enterprises, has a CMSME contribution of 70 percent towards its GDP. In China, the sector's contribution to the country's GDP is 60 percent. Our neighbouring India, Pakistan, and Sri Lanka have SME contributions to GDP rates of 30 percent, 40 percent, and 52 percent, respectively. Comparing our numbers with those of these countries tells us we still have a long way to go.

Recent data suggests that the total loan from both banks and non-banking financial institutions (NBFI) amounts to roughly more than Tk 16 lakh crore, of which only 10 percent goes to CMSMEs. Of that 1,60,000 crore, around 3.5 percent comes from NBFI and 96 percent comes from banks. As a NBFI, our stake in this sector is relatively lower,



**A. K. M. KAMRUZZAMAN**  
FCMA, ACTING MANAGING DIRECTOR  
LANKABANGLA FINANCE

this sector include the traditional banking culture of providing mortgage-based loans. Most CMSME entrepreneurs usually don't have the required assets to qualify for a loan.

In our experience, most of our well-performing loans were unsecured without a mortgage. What we focus more on is the cash flow of the businesses.

Then comes the issue of regulatory compliance, for which we need to verify the identities of our potential clients. Despite the government's continuous efforts, we have not been yet able to bring the entire population under a smart ID system. The cost of funds resulting from an ever-increasing interest rate is also a major obstacle to the path of development for the SME sector.

Ensuring adequate sources of funding is another major issue we are dealing with. Ideally, the percentage for CMSME-related loans should be around 27 percent, amounting to 4,00,000 crore, aligning it with the sector's contribution to GDP. Traditionally we prefer that manufacturing

and service-oriented businesses generate more employment than trading businesses. To maintain a stable supply chain, trading businesses dealing with local products should be promoted. Meanwhile, the SME Foundation should be empowered with additional funding and human resources. All identification and verification systems should be integrated into one digital system to lower loan processing, monitoring, and transaction times which will also help to reduce cost of doing business. The digitalisation of financial services could be the game changer we need to develop our CMSMEs further.

**We are growth partners for every business graduating from the micro-level to a bigger scale.**

but we are constantly trying to expand our SME portfolio. LankaBangla Finance is currently focused on CMSMEs. In terms of portfolio, LankaBangla is a major player in CMSME sector.

At LankaBangla, our CMSME financing team believes that we are growth partners for every business graduating from the micro-level to a bigger scale. We not only work as financier but also as financial consultants for our clients. We have a partnership with the SME Foundation to provide necessary training to CMSME clients.

The main factors behind our slow progress in

and service-oriented businesses generate more employment than trading businesses. To maintain a stable supply chain, trading businesses dealing with local products should be promoted. Meanwhile, the SME Foundation should be empowered with additional funding and human resources. All identification and verification systems should be integrated into one digital system to lower loan processing, monitoring, and transaction times which will also help to reduce cost of doing business. The digitalisation of financial services could be the game changer we need to develop our CMSMEs further.

## Banks must reach OUT TO SMEs

As part of its all-inclusive banking policy, EXIM Bank has always promoted investments in SMEs and related sectors like agriculture, cottage industries, micro-enterprises, women entrepreneurship, and rural finance. Around a fifth of our investments go to these sectors. We achieved as much as 87% of the disbursement target set by the regulator for these sectors. We aim to create new entrepreneurs in SMEs through consultancy and education. This is why we need to reach remote areas of the country and unbanked people within the demographic. Besides having a dedicated SME desk at each of our branches staffed with SME experts, we promote intensive communication at the social level. This is how we extensively engage in the SME business.



**MOHAMMAD FERUZ HOSSAIN**  
MANAGING DIRECTOR AND CEO,  
EXIM BANK.

Banks provide money to those who need it. But in reality, people with little money rarely approach banks. Our SME entrepreneurs are such a segment

the standard of living for the marginalised.

For a bank, SME financing also means ensuring inclusive banking, controlling concentration risk, and maintaining sustainable growth. While providing SME investments, we promote women entrepreneurs.

In fact, the government is very supportive of SMEs and related sectors. The central bank already has a substantial fund under its refinance scheme for SME enterprises, aimed at creating employment, especially in remote and rural areas. Now it is time for commercial banks to make the best use of this fund to identify and nurture new entrepreneurs every day. However, the government should ensure through legal means that SME investments/loans reach the real beneficiaries, or we cannot expect the intended socio-economic impact to occur. Repayment failures and laxity in securities should be dealt with prudently.

**The government should ensure through legal means that SME investments/loans reach the real beneficiaries.**

of people who have little money and even less awareness about preferential banking services available to them. Therefore, banks should reach out to them and explain the prospects of their enterprises explicitly so that they dare to embark on further ventures. This is how we can push our SME potential to the limits.

We must remember that funding SMEs is not merely about supporting business enterprises; it involves supporting families, empowering women, nourishing children, eradicating poverty, generating employment, and ultimately upgrading

One thing worth mentioning is arranging SME fairs regularly at the upazila towns where banks and non-bank financial companies can present their SME service offers, and prospective and existing SME entrepreneurs can meet them with their plans and enterprises. Bangladesh, being an agricultural country with a vast array of professional castes like potters, carpenters, weavers, fishermen, blacksmiths, etc., who are highly skilled due to ancestry, is fertile ground for cottage and SME banking.

## LEVERAGING THE POWER OF SMEs

FROM PAGE J1

According to Dr. Mohammad Masudur Rahman, Chairperson of the SME Foundation, SMEs currently contribute 30-32% to the GDP, but there is potential for them to contribute even more significantly to overall economic development.

With a vision to create a vibrant SME sector in the country, the government first formulated the SME policy in 2015 under the Ministry of Industries, building on the previous SME Strategy Framework of 2005.

"In the past decade, significant efforts have been made to foster the SME sector, including the establishment of the SME Foundation. Policymakers now recognise the crucial role of SMEs in driving overall national development, leading to substantial policy-level support for the sector," says Dr. Mohammad Masudur Rahman. However, he also acknowledges that Bangladesh lags behind its neighbouring states in terms of SME contribution to GDP. For instance, SMEs account for 60% of India's GDP, over 70% in China, and approximately 50-60% in Vietnam.

Although over 24 million people are employed in this sector,

contribution to GDP isn't increasing sufficiently, which could hinder the country's financial growth despite support from banks and financial institutions. "Due to inflation and economic hardship, there is currently a lack of enthusiasm for expanding this sector. Entrepreneurs are focused on survival rather than adding new features, as production costs have risen while sales have fallen due to price increases. Since the end of last year, we've observed that it has been a slow period for SMEs," shares Syed Abdul Momen, Deputy Managing Director and Head of SME Banking at BRAC Bank, the most SME-focused bank in the country.

According to the last Economic Census conducted by the Bangladesh Bureau of Statistics in 2013, there were 7.88 million SMEs in the country. Experts now estimate that there are over 10 million SMEs in Bangladesh, highlighting the steady growth of the SME sector in Bangladesh.

Banks and financial institutions have played a crucial role in fostering the growth of SMEs. They support the integration of SMEs into formal economic channels. In the absence of these formal channels, SME entrepreneurs often turn to informal sources such as NGOs or local moneylenders, who charge exorbitant interest rates. This

**Although over 24 million people are employed in this sector, SMEs' contribution to GDP isn't increasing sufficiently, which could hinder the country's financial growth despite the support from banks and financial institutions.**

reliance on informal borrowing perpetuates a vicious cycle of debt, hindering any significant improvement in their economic fortunes.

Importantly, Bangladesh Bank introduced several schemes and programmes to flourish and expand SMEs. In 2004, the central bank introduced a refinancing scheme named the "Small Enterprise Refinance Scheme" with an initial fund of BDT 1.0 billion to support the development of small enterprises. To meet the increasing demand from end borrowers, the fund has undergone multiple augmentations and currently stands at BDT 30.0 billion after the latest increase.

Following the guidance from the central bank, banks and NBFI, for the first time, established an indicative target for SME loan disbursement in 2010. "Around one and a half decades ago, banks and NBFI would show little interest in SME finance. Now, they perceive financing SMEs as secure, with minimal risk of bad loans compared to other sectors. Currently, SMEs constitute a significant portion of their portfolio, contributing substantially to their profits from SME lending," notes Dr. Mohammad Masudur Rahman.

SEE PAGE J5



## এস এম ই উদ্যোগ গল্প হবে সবার, স্বপ্ন ও সফলতার

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# Boosting women-led SMEs through financing

SAUDIA AFRIN

"To overcome poverty, I started my embroidery business with my savings. Due to a lack of funding, it was initially difficult to make a profit. Later, I took a loan from a bank," shares Sultana Afroze, founder of Sultana Embroidery, reflecting on the early stages of her SME journey. Starting with just six manual machines in 2005, Sultana later added four computerized machines, delivering products to renowned names like Amanat Shah Lungi, BK Saree, Nikhut Print, and others.

According to the Asia Foundation's Annual Report 2022, 46% of SMEs received loans to expand their business, with 91% reporting increased income. Despite success stories like Sultana's, where women-driven initiatives contribute significantly to family and national economies, the number of women-led SMEs remains insufficient.

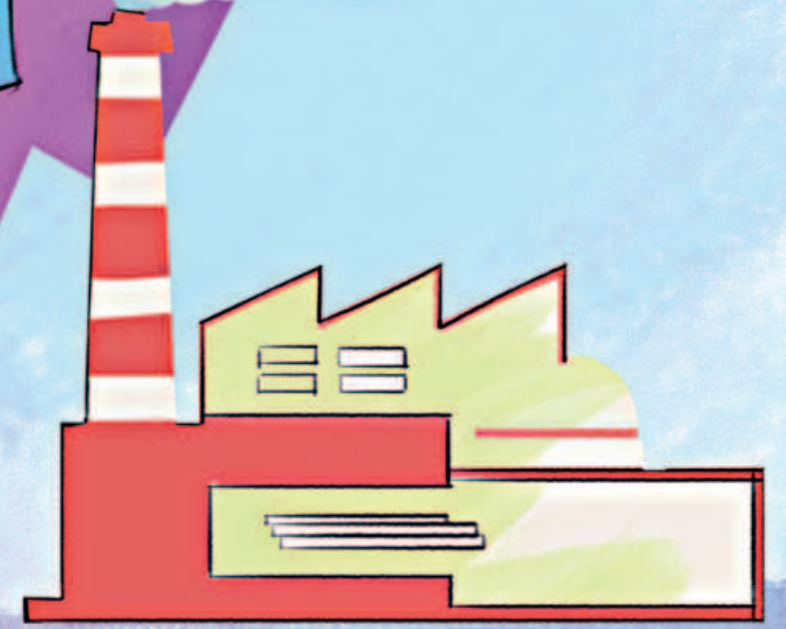
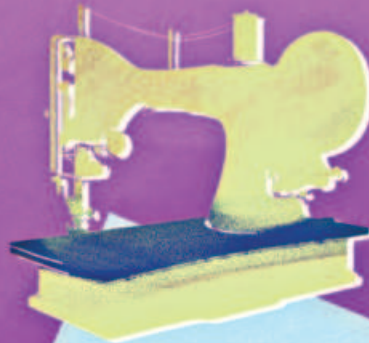
The Economic Census of 2013 reported that 7.2% of all enterprises in Bangladesh were led by women, with 99% of these being SMEs. Dr. Md. Masudur Rahman, Chairperson of the SME Foundation, highlighted that no economic census has been conducted since then, estimating the current percentage to range between 10 to 12%.

"Women face various social and familial challenges simply because they are women. These issues cannot be resolved overnight. However, creating opportunities for women and fostering a business-friendly environment will motivate many women to venture into business," said Dr. Nazneen Ahmed, Senior Fellow at BIDS.

banks and financial institutions have developed their own products and approaches to support women entrepreneurs.

"We do not focus solely on metropolitan areas but also on semi-urban and rural regions. We provide incentives to our staff to encourage them to extend loans to women. As of April, the percentage of loans granted to women-led SMEs stands at 17 percent. In contrast, loan rates in the informal sector are much higher, ranging from 30 to 35 percent, while NGO loans average around 24 percent," said Kamrul Mehedi, Head of SME, Small & Microfinance & Agent Banking of City Bank.

Midland Bank has been actively boosting the SME sector through campaigns that support women entrepreneurs. "Any woman entrepreneur who owns at least 51% share in a joint venture or company is eligible for women-centric loans," said Md. Ahsan Jamil Hossain, Head of SMEs and Agriculture. The MDB Nari Uddog, a tailor-made loan product for women-led businesses including micro, cottage, small, and medium enterprises, as well as emerging corporates,



structured repayment method, facilitates women entrepreneurs in acquiring current business assets or fixed assets.

Distribution channels play a crucial role in reaching the most remote and deprived communities for SME loans. "Maintaining a large network involves costs such as manpower and accommodation, which often increase expenses and pose challenges for many banks to manage," said Md. Kamruzzaman Khan, Executive Vice President and Head of SME at LankaBangla Finance. Utilizing mobile lending officers, the NBFi strives to reach women entrepreneurs in hard-to-reach areas. LankaBangla's 'Shikha' initiative is designed to support and motivate women entrepreneurs through a range of diverse products and services.

Despite female-friendly approaches by the central bank, scheduled banks, and NBFIs, women entrepreneurs report facing neglect. "Although accessing formal financial support is crucial for business growth, female entrepreneurs often struggle to obtain loans due to the extensive paperwork required by banks, lack of financial knowledge, and gaps in financial resources," said Waresa Khanam Prity, President of Her-e-Tread, a platform for female entrepreneurs.

"Despite operating businesses for four or five years, many women lack essential documents such as trade licenses, Taxpayer Identification Numbers (TINs), and bank transaction records, which makes it difficult for them to qualify for loans. Addressing these gaps and fostering a conducive environment between banks and loan applicants can help mitigate these challenges," said Izal Hossain, Program Manager of MSME Intervention at the Asia Foundation.

"Banks' financial products should cater to the seasonal, immediate financial needs to ensure capital flow, enabling entrepreneurs to expand their businesses," said Kashmiri Sultana, owner of Chaturbhuj.

Women-led businesses are expanding using different platforms such as e-commerce and F-commerce. According to the Asia Foundation's annual report, 67% of women-led SMEs have benefited from e-commerce platforms as alternative sales channels. Waresa of Her-e-Tread emphasised that regulatory amendments to streamline the trade license acquisition process, including an updated list of business types and provisions for adding business areas, could alleviate paperwork challenges for online women-led businesses.

Increasing women's access to formal financing channels is crucial. Without adequate policies and support, achieving comprehensive development will be challenging, highlighted Dr. Md. Masudur Rahman, Chairperson of the SME Foundation.

In the evolving market landscape, women entrepreneurs in both rural and urban areas face obstacles due to various capacity-building challenges, including a lack of knowledge of business regulations, insufficient startup capital, inadequate skills training, and limited support for marketing their products. "It is important to equip them with sufficient knowledge in these areas so they can secure and effectively utilize necessary finances," said Dr. Masudur Rahman of the SME Foundation.



ILLUSTRATION: SOJIB ROY

has been promoting women entrepreneurs since 2014.

"Creating income-generating opportunities for women is crucial for empowering women and reducing gender inequality in society, aligned with the SDG goals. We offer collateral-free loan products and special interest-bearing deposit products," said Md. Khalid Mahmood Khan, Additional Managing Director & CBO of Mutual Trust Bank (MTB). 'MTB Angona,' a dedicated wing to cater to all banking needs of women, has ensured that the bank's total exposure to women-led businesses exceeds 15% of its total CMSME portfolio.

"Assessing sales performance meticulously is crucial to tailor loan offerings accordingly," said Syed Abdul Momen, DMD and Head of SME Banking at BRAC Bank. The bank's 'TARA' is a dedicated banking service designed for the women's segment, offering conveniences such as lower interest rates and relaxed regulatory requirements. This includes reducing the required years of experience from three to one year, as well as simplifying tax return obligations and trade license criteria for women entrepreneurs.

"Despite significant achievements in recent decades, women entrepreneurs still face formidable obstacles in running their businesses. To help alleviate some of these challenges, Dhaka Bank aims to support their initiatives and create better business opportunities," said Md. Mahbubur Rahman Palash, Executive Vice President and Head of MSME and Emerging Business Division at Dhaka Bank. To enhance profitability and sustainability for female-led businesses, the 'Oditiya Loan', an EMI-based/

Bangladesh Bank has introduced several initiatives to enhance financing for women-led businesses. In 2023, the 'Small Enterprise Refinance Scheme' was renamed the 'Small Enterprise Refinance Scheme for Women Entrepreneurs,' exclusively dedicated to women. According to its circular published in July 2023, the central bank will provide incentive facilities to banks and financial institutions at a rate of 1%. This aims to encourage timely adjustment, collection, and repayment of loans disbursed under the Refinancing Scheme for Women Entrepreneurs in the SME sector, capped at a maximum interest rate of 5%. Besides complying with BB's directives,

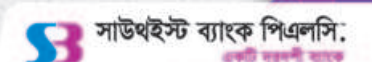
**"Women face various social and familial challenges simply because they are women. These issues cannot be resolved overnight. However, creating opportunities for women and fostering a business-friendly environment will motivate many women to venture into business," said Dr. Nazneen Ahmed, Senior Fellow at BIDS.**

**"বাংলাদেশের  
অর্থনৈতিক উন্নয়নের প্লান  
কুটির, ক্ষুদ্র ও  
মাঝারী শিল্প"**



সহজ শর্তে সাউথইস্ট ব্যাংকের  
এসএমই ঋণ গ্রহণের মাধ্যমে  
আপনিও হয়ে উঠতে পারেন অর্থনৈতিকভাবে স্বাবলম্বী

বিস্তারিত জানতে সাউথইস্ট ব্যাংকের যেকোনো শাখায় যোগাযোগ করুন।



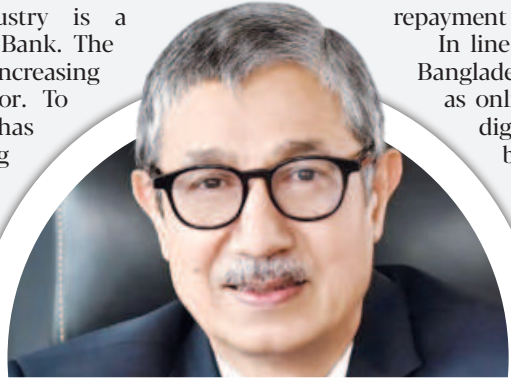
## SIMPLIFY REGULATORY compliance for CMSMEs

Sustainable growth in the CMSME and Emerging Business industry is a major priority for Dhaka Bank. The bank is dedicated to increasing its presence in this sector. To achieve this, the bank has emphasised: i) Developing new MSME & Emerging Business products to meet the ever-changing dynamics of customer demand; ii) Developing Supply Chain and Distributor Finance models to facilitate business growth; iii) Allocating branches with specific MSME business targets and meticulously following up on them; iv) Arranging various engagement programs for people, such as fairs, workshops, and skill development training; and v) Modernising the business operations in line with the latest developments in the overall business environment.

Cluster financing has been another area the bank has focused on. Through Cluster Financing, we have reached 156 rural and suburban customers working in Shoe, Furniture, Basket, Mritt Shilpo, and Kutir Shilpo clusters. The total loan disbursement is Tk. 37.63 million.

We aim to reach CMSMEs in rural and hard-to-reach areas through mobile banking, mobile app and internet banking. We are also expanding our business network into rural and remote areas by establishing branches and sub-branches.

Firstly, I believe banks can change their perspective towards financing businesses, viewing it not merely as an earning mechanism but also as a development mechanism. If the banking system supports MSMEs, it will subsequently contribute to the country's development. To achieve this, banks should offer tailored financial products to meet customer demand instead of traditional offerings. This could include: i) Offering loans with flexible terms and conditions; ii) Providing micro-loans to small businesses and startups that may not qualify for traditional loans; iii) Introducing



**MD EMRANUL HUQ**  
MANAGING DIRECTOR & CEO  
DHAKA BANK

revenue-based financing with a flexible repayment schedule, and so forth.

In line with the motto of Digital Bangladesh, modern services such as online banking platforms and digital payment solutions can be extended to MSMEs.

As part of MSME financing strategies, banks should consider arranging financial literacy programmes to train small-business owners nationwide, conducting workshops and seminars on financial literacy, business management, and regulatory compliance.

Dhaka Bank has prioritised the MSME sector and is in the process of introducing multiple products and services under various pre-financing schemes to meet the timely needs of this business segment and thereby promote overall economic activity in the country.

Having a presence in all business segments, we believe that financing MSMEs should be handled under a separate mode distinct from traditional corporate financing. It is high time that simplified regulatory compliance for CMSMEs is introduced to reduce administrative burdens and associated costs. Developing policies that encourage innovation and growth in the CMSME sector, such as tax incentives and grants, should also be considered.

To secure financial support from banks and NBFs, MSME entrepreneurs need education and training to maximize their benefits from these institutions. The government can play a vital role by promoting entrepreneurship education programmes.

To ensure a healthy and cohesive business ecosystem in the country, a collaborative environment must be established where CMSMEs, large corporations, financial institutions, and government agencies can work together to support each other's growth and development.

## Digitise operations to REACH CMSMEs

MTB has consistently served as a trusted partner for SMEs nationwide since its inception. Our strong compliance with regulatory directives for CMSMEs reflects our commitment to developing these sectors while enhancing financial inclusiveness in the country. We offer market-competitive solutions to Surplus Business Units (SBUs) and Deficit Business Units (DBUs) within the CMSME sector, ensuring comprehensive support in all possible ways. Our diverse product range simplifies business transactions and provides extensive credit facilities to meet both working capital and fixed asset requirements through our extensive physical and digital distribution channels.

To ensure smooth financial inclusivity, we have established numerous branches, sub-branches, and agent outlets across the country, targeting rural and hard-to-reach areas. Additionally, we offer various innovative, customer-centric digital solutions, enabling access to financial services from any location in the country. Furthermore, we partner with different fintech and agritech companies to reach remotely located SMEs through an embedded financing programme.

There are millions of CMSMEs nationwide, and significant numbers are still untapped. It is very difficult to reach remotely located CMSMEs solely through physical expansion. In addition to the classical business model, we need to focus on digitising operations to reach millions of CMSMEs in the fastest and most efficient way. We also need to address the stakeholders related to the value chain of the business to bring efficiency and competitiveness. Partnering with different fintech and other partners for embedded financing is also a solution. MTB has been taking various measures to build digital platforms to support CMSMEs across the country and paying attention to supply chain financing programmes to extend better support to SMEs.

The Government of Bangladesh has always extended support to promote SMEs in Bangladesh. Bangladesh Bank has also been tirelessly formulating various policy supports and financing packages for SMEs over the years. SMEs are vulnerable segments with numerous limitations and challenges. I believe the definition of SMEs needs reviewing, with greater attention given to cottage, micro, and small enterprises. SMEs also need to compete on a level playing field, and large enterprises should focus more on high-technology-based innovative industrial sectors. Therefore, the government could review the customised tax, duty, and VAT structures for SMEs to foster their growth. There should be an integrated mechanism to restrict large enterprises from entering into products/services typically handled by SMEs. Instead, large enterprises could serve as marketing powerhouses to promote SME products nationwide. Obtaining regulatory licenses for SMEs remains expensive and complex. The government could simplify this process to support SMEs effectively.

Access to finance for all SMEs remains a challenge, although it's less difficult than it was 10 to 15 years ago. However, obtaining finance alone isn't enough to support SMEs. They still lack financial literacy, technology-driven production, necessary skill sets, suitable marketplaces to showcase their products, and successors to take over small-sized businesses. Therefore, we need to focus on expanding non-financial services to enhance capacity, introduce incubation programmes for SMEs, establish common facility structures for cluster benefits in the long term, and implement long-term cluster development programmes by assigning specific clusters to particular banks. Partnering with different fintech/agritech firms to scale up customer onboarding is also crucial for boosting the SME sector in Bangladesh.



**SYED MAHBUBUR RAHMAN**  
MANAGING DIRECTOR & CEO  
MUTUAL TRUST BANK

## Leveraging the power of SMEs

FROM PAGE J3

The recent two-year pandemic has been devastating for the entire SME sector. In response to mitigating the adverse effects of COVID-19 and reviving economic activities, the Government of Bangladesh announced a financial stimulus package of BDT 200 billion in 2020 for the CMSME. This initiative aimed to increase the flow of credit and investment in the sector within the country. Subsequently, on April 26, 2020, a revolving refinance scheme amounting to BDT 100 billion was introduced from Bangladesh Bank's own source through SMESPD. Under this scheme, participating banks and financial institutions (PFIs) are availing refinance facilities up to 50 percent of their lending. Bank insiders believe these incentives have been crucial for the SME sector to endure the challenges of the pandemic and to rejuvenate in the post-pandemic period with renewed spirit.

Bangladesh Bank has mandated that all banks allocate 25 percent of their total loan disbursement to CSMEs by December 2024, and banks are diligently adhering to this directive.

According to the Bangladesh Bank's Quarterly Statement of SME Loan Disbursement for October-December 2023, the total outstanding loans and advances amount to BDT 1,591,852.20 crore. Of this, Non-Bank Financial Institutions (NBFIs) account for BDT 56,049.48 crore, while scheduled banks total BDT 1,535,802.72 crore.

Banks and financial institutions are increasingly aligning with government directives to support and enhance the SME sector, which is experiencing gradual growth.

"Midland Bank is very positive about SMEs. We are actively campaigning for them and will be opening an SME centre within two weeks—one in Nababpur and one in Gazipur. We have received permission from the central bank, and we are regularly disbursing loans and receiving repayments," shares Md Ahsan Jamil Hossain, Head of SME and Agri at Midland Bank.

"City Bank entered the SME sector 6-7 years ago, and we now have a portfolio of around BDT 4,500 crore in this sector. We are extensively distributing loans through our vast network of branches, sub-branches, and agent banking. More than 78

percent of our loans go to rural and semi-metropolitan areas," shares Kamrul Mehedi, Head of SME at City Bank.

He further states that if banks invest more in networking for SMEs it would significantly enhance financial inclusion. SMEs would be able to obtain loans from formal channels at much lower interest rates compared to local NGOs or money lenders.

"We have observed that loan repayment in this sector is very promising. Even when occasional defaults occur, they can repay their loans with minimal incentives if they have good intentions. At BRAC Bank, the non-performing loan (NPL) rate for collateral-free loans is only 2.5 percent, whereas the NPL rate in the corporate sector is about 6-7 percent," says Syed Abdul Momen, Deputy Managing Director and Head of SME Banking at BRAC Bank.

**Banks and financial institutions are increasingly aligning with government directives to support and enhance the SME sector, which is experiencing gradual growth.**

However, there is still a demand-supply gap in terms of SME loan distribution.

Currently, only 36 percent of the required loans for SMEs are obtained from formal economic channels, while the remainder comes from the informal sector, according to Dr. Mohammad Masudur Rahman, Chairperson of the SME Foundation. He emphasises that bringing more SMEs into the formal sector would be mutually beneficial for both SMEs and banks or NBFIs.

"About 20% of total loans and advances of the banking sector is given to CMSMEs of the country. We are lagging in meeting the expected target of the Central Bank. The demand-supply gap is visible, and there is a large stake out of reach of formal lenders. Almost all lenders are trying to expedite and scale up

lending activities in SMEs," says Md. Khalid Mahmood Khan, Additional Managing Director & CBO of Mutual Trust Bank.

Most banks or financial institutions don't have organic links with SMEs, unlike many local NGOs or a few SME-focused banks. As a result, banks can't fully commit to loan disbursement for SMEs. However, some procedural changes could be a game changer, making these loans more accessible to SMEs.

"Formal economic channels often have rigid criteria that many CMSMEs cannot meet, especially cottage and micro-level businesses. To address this, financial institutions need to develop more flexible and innovative financing solutions, reduce bureaucratic hurdles, and improve the reach of financial services to underserved areas," notes Md. Mahbubur Rahman Palash, Executive Vice President and Head of MSME and Emerging Business Division, Dhaka Bank.

"With the introduction of NID cards and a national database, we now have access to potential lenders' addresses. If we make it clear that failure to repay loans will result in being marked as defaulters, and if this record is considered when applying for other government and private services, the process of receiving SME loans would become much easier," shares Shaminoor Rahman, Head of SME at Bank Asia.

"SMEs require monitoring and close supervision; otherwise, they could derail or become traceless. We not only provide loans but also act as consultants for their business. Since monitoring costs are high, we need to focus on digitalising the entire process and transactions to reduce these costs," mentions Md Kamruzzaman Khan, Executive Vice President and Head of SME Financial Services at Lankabangla Finance.

"Enhancing offers such as risk-sharing financing, flexible credit guarantee schemes, and more refinancing options can increase banks' willingness to finance CMSMEs, attracting formal financiers and improving their accessibility to formal financial channels. Formal financial institutions can also reduce operational costs by creating diversified product suites and using digital solutions, boosting CMSME financing and promoting significant sector growth," states Ebnul Alam Palash, Head of MSME Business, Prime Bank.

**আন্তর্জাতিক এসএসএমই দিবস | ২০২৪**

**১৬ লক্ষ এসএমই গ্রাহক**

**১ কোটি পরিবারের আর্থসামাজিক উন্নয়ন**

**১.৬ লক্ষ কোটি টাকার এসএমই লোন বিতরণ**

**দেশের প্রথম ইন্টিগ্রেটেড ডিজিটাল এসএমই লোন সুবিধা**

**নারীদের জন্য সর্বপ্রথম পূর্ণাঙ্গ এসএমই ব্যাংকিং সুবিধা 'তারা'**

**জামানতবিহীন অর্থায়নে দেশের সেবা প্রতিষ্ঠান**

**দেশের ১ কোটি মানুষের জীবন বদলে দিয়েছে ব্যাংক ব্যাংক SME**

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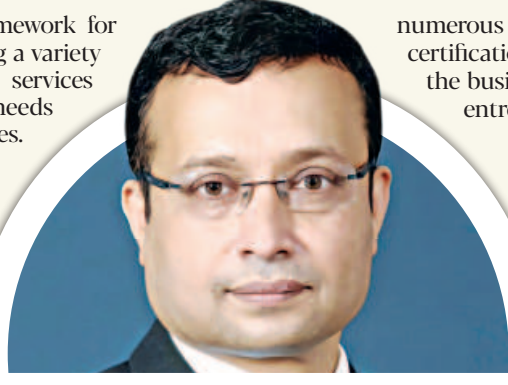
# Implement comprehensive credit GUARANTEESCHEMES

City Bank has a robust framework for supporting CMSMEs, offering a variety of financial products and services tailored to meet the unique needs of small and micro enterprises. The bank's CMSME portfolio constitutes around 22% of its total portfolio, amounting to BDT 8450.84 crore at the end of 2023. Small and micro businesses alone contributed approximately 9.75% (3856.53 crore BDT) to this portfolio. We maintain a low non-performing loan (NPL) ratio of 1.17% in this sector, demonstrating the effectiveness of our credit management strategies.

City Bank has implemented several measures to ensure that CMSMEs in rural and hard-to-reach areas have access to its financial services. The bank operates over 500 agent banking outlets in suburban and rural areas, focusing on traditionally underbanked segments. Through our Citytouch platform, we provide digital banking solutions that reduce dependency on physical branches, making it easier for SMEs to access banking services remotely. We have established 34 dedicated SME unit offices and deployed more than 1000 business staff, including field officers and credit analysts, to support CMSMEs at the grassroots level. Our distribution network covers more than 85% of the country.

We have reduced our dependency on manual hard copy documentation and are implementing internal digitisation measures to simplify loan processes, including loan origination systems and alternative credit scoring models, making them more accessible to SMEs.

We provide continuous training and consultancy services to bank staff and entrepreneurs alike to enhance the financial literacy and business management skills of SME owners. Under our City Alo - Women Enterprise Wing, we have conducted



**KAMRUL MEHEDI**  
SENIOR EXECUTIVE VICE PRESIDENT  
HEAD OF SMALL & MICROFINANCE  
CITY BANK

numerous batches of training and certification programmes to enhance the business skills of these budding entrepreneurs.

The bank is enhancing its digital offerings through initiatives like the Digital Agri Loan, which provides automated financial services to rural agricultural businesses. We aim to collaborate more with development partners and fintech companies to expand our reach and improve the ecosystem for SME financing. For instance, City Bank has partnered with Syngenta Foundation to offer quick loans to farmers using digital credit scoring.

The government could implement comprehensive and continuous credit guarantee schemes to reduce the risks associated with SME lending, making it more attractive for banks to extend credit to this sector. Enacting supportive regulatory policies that encourage banks to lend to SMEs, such as tax incentives and reduced regulatory burdens for SME financing, is crucial. The central bank could also evaluate reintroducing infrastructural and policy support to help banks establish more dedicated SME service centres and unit offices, easing access for clients seeking SME banking services at their convenience.

Increasing the number and reach of financial literacy programmes is essential to ensure that more SMEs understand and can effectively utilise financial services. Strengthening programmes like City Alo, which provide certification and training to women entrepreneurs, fosters gender-inclusive growth in the SME sector. Continuously developing and offering new financial products that address the specific needs and challenges of SMEs, such as unsecured loans, digital Nano loans, and supply chain financing solutions, is also crucial.

# Innovation and collaboration ARE CRUCIAL

Most banks support SMEs through a variety of services and products designed to address their specific needs. At Bank Asia, however, we offer specialised checking and savings accounts tailored for businesses, often with features like higher transaction limits and integration with accounting software. We also offer different types of loans—such as term loans, lines of credit, and working capital loans—to help SMEs manage cash flow, expand operations, or invest in new opportunities.

In terms of payment processing, we provide merchant services that enable SMEs to accept payments via credit/debit cards, online transactions, and mobile payments. Additionally, we offer consultancy services in the form of financial advice and planning to help SMEs with business strategies, financial management, and growth planning.

Financial literacy is a major aspect we need to focus on if we want to develop the SME sector. At Bank Asia, we arrange workshops, webinars, and other educational resources to help SMEs develop their business acumen and stay informed about industry trends and best practices.

Reaching small and medium enterprises (SMEs) in rural and hard-to-reach areas is challenging but crucial for economic development. We offer branch-less banking services through mobile banking units, agents, and kiosks to help reach remote areas. These mobile units provide basic banking services and educate rural customers about financial products. We believe that collaborating with local cooperatives, microfinance institutions, and non-governmental organisations (NGOs) can extend our coverage, as these organisations often have established relationships and trust within rural communities. We also offer designated banking products to meet the needs of rural SMEs, such

as agricultural loans and equipment financing.

As for our future plans regarding SMEs, we aim to expand our consultancy services to assist SMEs with financial planning, business development, risk management, and regulatory compliance. We plan to facilitate more mentorship programmes and networking opportunities where SMEs can connect with industry experts, successful entrepreneurs, and potential business partners. Our bank also plans to offer flexible loan repayment schedules and restructuring options to accommodate the fluctuating income cycles and financial challenges that SMEs often face.

The government can ensure the presence of a comprehensive database on SMEs, including industry-specific information and performance metrics. Banks and non-banking financial institutions should have access to government publications, market research, and industry reports.

The government can also introduce a unique Business Identification Number (BIN) for SMEs to simplify the identification and verification process. There should be timely updates on relevant policies, regulations, and compliance requirements affecting SMEs. All financial institutions should be given clear guidelines on Group SME Finance funding opportunities and other incentives available for SMEs.

Encouraging and supporting SMEs to adopt digital tools and technologies can improve efficiency, market reach, and competitiveness. Providing training and resources for digital literacy is crucial.

Simplifying regulatory requirements, reducing bureaucratic red tape, and providing clear guidelines can make it easier for SMEs to start and grow.



**ANM MAHFUZ**  
AMD & CHIEF BUSINESS OFFICER  
BANK ASIA

# BRIDGING THE GAP Enhancing Financial Services for SMEs

NAHALY NAFISA KHAN & TAZRI MARWA AHMED

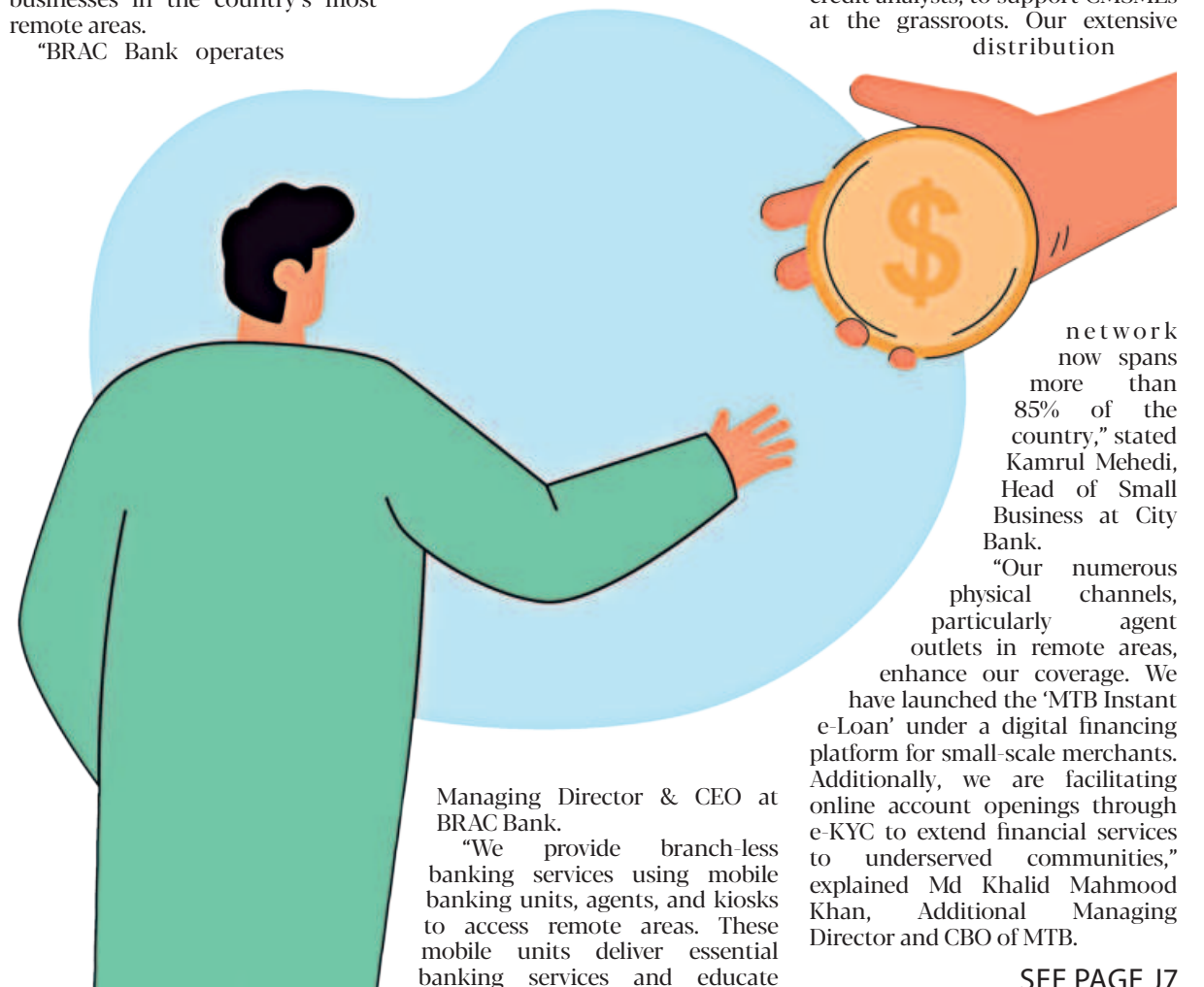
The SME sector currently contributes approximately 30-32% to Bangladesh's GDP, showcasing substantial potential to emerge as a leading driver of economic growth in the country in the foreseeable future. However, several challenges impede its further development and enhancement. Chief among these challenges is the limited access to formal finance, posing a significant barrier to the growth and expansion of SMEs. Banks and non-banking financial institutions have adopted various solutions to address this gap and extend support to small businesses in the country's most remote areas.

"BRAC Bank operates

457 SME Unit Offices, 45 sub-branches, 1,080 Agent Banking Outlets, and 330 ATMs nationwide to cater to the daily banking needs of CMSME customers. This extensive network ensures a physical presence in many rural and remote areas, bringing banking services closer to the doorsteps of SMEs. With over 3000 dedicated Relationship Officers (ROs) engaged in SME banking services, we build relationships and cater to all banking requirements of CMSMEs. Sixty per cent of our total SME loans are disbursed in rural areas, achieving the highest rural penetration among local private banks," shares Selim R. F. Hussain,

rural customers about financial products," informs ANM Mahfuz, AMD & Chief Business Officer at Bank Asia.

"City Bank has taken steps to enhance financial access for CMSMEs in rural and remote areas. With over 500 agent banking outlets in suburban and rural regions, the bank targets traditionally underserved segments. Our Citytouch platform offers digital banking solutions, reducing reliance on physical branches and enabling easier access to banking services for SMEs remotely. We've set up 34 dedicated SME unit offices and deployed over 1000 business staff, including field officers and credit analysts, to support CMSMEs at the grassroots. Our extensive distribution



Managing Director & CEO at BRAC Bank.

"We provide branch-less banking services using mobile banking units, agents, and kiosks to access remote areas. These mobile units deliver essential banking services and educate

network now spans more than 85% of the country," stated Kamrul Mehedi, Head of Small Business at City Bank.

"Our numerous physical channels, particularly agent outlets in remote areas, enhance our coverage. We have launched the 'MTB Instant e-Loan' under a digital financing platform for small-scale merchants. Additionally, we are facilitating online account openings through e-KYC to extend financial services to underserved communities," explained Md Khalid Mahmood Khan, Additional Managing Director and CBO of MTB.

SEE PAGE J7



“এসএমই উদ্যোগে সমৃদ্ধ দেশ  
স্মার্ট অর্থনীতির বাংলাদেশ”

**এমডিবি সিএমএসএমই ঋণ**  
এর মাধ্যমে হোক আপনার ব্যবসায়িক প্রবৃদ্ধি

আমাদের দেশের অর্থনীতির মূল চালিকা শক্তি সিএমএসএমই সেক্টর। বাংলাদেশের আর্থসামাজিক উন্নয়নে, বিশেষ করে দারিদ্র বিমোচন, কর্মসংস্থান ও নারীর ক্ষমতায়নে এই সেক্টরের অবদান আমাদের অনুপ্রাণিত করেছে ক্ষুদ্র ও মাঝারী উদ্যোক্তাদের পাশে দাঁড়াবার। সিএমএসএমই খাতের উন্নয়ন অগ্রযাত্রায় ভূমিকা রাখতে এমডিবি'র রয়েছে একাধিক বিশেষায়িত সিএমএসএমই ঋণ পণ্য।

**এমডিবি ব্যবসায় ঋণঃ** ট্রেডিং খাতের ব্যবসায়ীদের সার্বিক সহায়তার জন্য প্রস্তুতকৃত এই ঋণ পণ্যের মাধ্যমে চলতি মূলধন ও মজুত পণ্য ক্রয়ের লক্ষ্যে আর্থিক সহায়তা প্রদান করা হয়।

**এমডিবি সেবা ঋণঃ** সেবা খাতের ব্যবসায়ীদের জন্য প্রস্তুতকৃত এই ঋণ পণ্যের মাধ্যমে চলতি মূলধন ও স্থায়ী সম্পদ ব্যয় নির্বাহের লক্ষ্যে আর্থিক সহায়তা প্রদান করা হয়।

**এমডিবি শিল্পায়ন ঋণঃ** শিল্প খাতের ব্যবসায়ীদের জন্য প্রস্তুতকৃত এই ঋণ পণ্যের মাধ্যমে মূলধনী যন্ত্রপাতি ক্রয়, পরিচালন ব্যয় নির্বাহ, ব্যবসায়িক কাঁচামাল ও মজুত পণ্য ক্রয়ের লক্ষ্যে আর্থিক সহায়তা প্রদান করা হয়।

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## Comprehensive financial PARTNERFOR SMEs

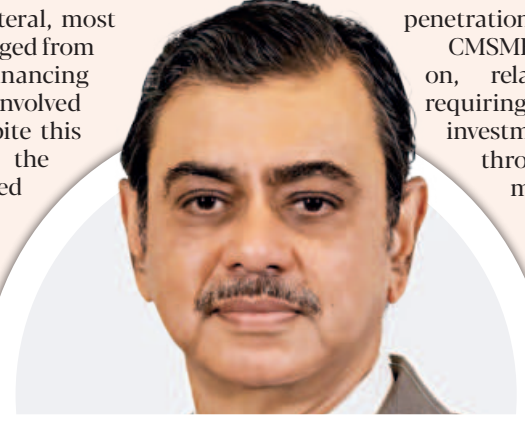
Since CMSMEs lack collateral, most banks are usually discouraged from providing them with financing support due to the risks involved in unsecured credit. Despite this challenge, BRAC Bank, the country's sole SME-focused bank, remains steadfast in its commitment to facilitating easy access to credit for grassroots entrepreneurs.

Today, BRAC Bank stands as the largest collateral-free CMSME financier in Bangladesh, with over 85% of our loans granted without any mortgage. Since our inception in 2001, we have disbursed BDT 154,694 crore to approximately 15 lakh CMSME customers. However, our ambition extends beyond mere lending; we aspire to be the comprehensive financial partner for grassroots entrepreneurs.

We offer transactional and cash management services, foreign trade financing facilities, and a wide range of products tailored to meet the financial needs of CMSMEs. We facilitate market access by connecting CMSMEs with each other to streamline their supply chains, thereby expanding their market opportunities.

BRAC Bank provides extensive banking and financing support to women CMSMEs through its women banking proposition 'TARA'.

BRAC Bank operates 457 SME unit offices, 45 sub-branches, 1,080 agent banking outlets, and 330 ATMs nationwide to cater to the daily banking needs of CMSME customers. This extensive network ensures a physical presence in many rural and remote areas, bringing banking services closer to the doorsteps of SMEs. With over 3,000 dedicated Relationship Officers (ROs) engaged in SME banking services, we build relationships and cater to all banking requirements of CMSMEs. Sixty per cent of our total SME loans are disbursed in rural areas, achieving the highest rural



**SELIM R. F. HUSSAIN**  
MANAGING DIRECTOR & CEO  
BRAC BANK

penetration among local private banks. CMSMEs seek a more hands-on, relationship-based approach requiring a substantial amount of investment and ecosystem creation through human resources, a model BRAC Bank adopts, from which others can draw inspiration.

We are exploring a more simplified and convenient onboarding process to provide easy access to banking financial services for CMSMEs by leveraging technology. BRAC Bank is actively investing in digitisation to reduce manual interventions as much as possible within the current regulatory framework. To meet the banking needs of CMSMEs, we have introduced the Digital Loan Origination Solution for CMSMEs, facilitating ASTHA & Corpnet for convenient B2B transactions. These digital capabilities have ensured faster, cheaper, more convenient, and easily accessible banking services for CMSMEs.

The key policy reform agenda that could be immediately addressed by the government and Bangladesh Bank would be: Revision of existing definitions of CMSMEs; informal micro-merchants should be considered under the CMSME sector; simplification of required legal documentation for CMSME loans, which can be based on loan ceilings; immediately introduce e-KYC for CMSMEs, which are proprietorship concerns, to expedite onboarding; enable a Credit Guarantee Scheme for all CMSMEs and simplify the enrolment process; online issuance of trade licenses for a 5-year tenure, with platforms API-driven for use by banks and financial institutions; Bangladesh Bank's CIB records should be instantly accessible to banks through API connectivity, and a Credit Bureau should be established for the MFI customer base; and implementation of paperless digital signatures instead of wet signatures.

## Ensure quick and well-timed DISBURSEMENTS

Eastern Bank PLC aims to dominate the SME lending market by offering a range of competitive and differentiated product solutions to its customers. The SME products are tailored to clients' needs, with quick, hassle-free loan disbursement processes requiring minimal documentation, and 80% of loans being mortgage-free. EBL supports SMEs by evaluating their cash flows and providing timely disbursements of loans up to BDT 1.50 Crore without collateral. This access to unsecured finance enables customers to experience significant development and business growth. Maintaining our client base effectively and reaching bankable businesses nationwide are paramount. Our bank reaches SMEs in rural and remote areas through various channels including branches, sub-branches, and agent banking outlets. Currently, we operate 85 branches, 36 sub-branches, and 104 agent banking outlets across Bangladesh.

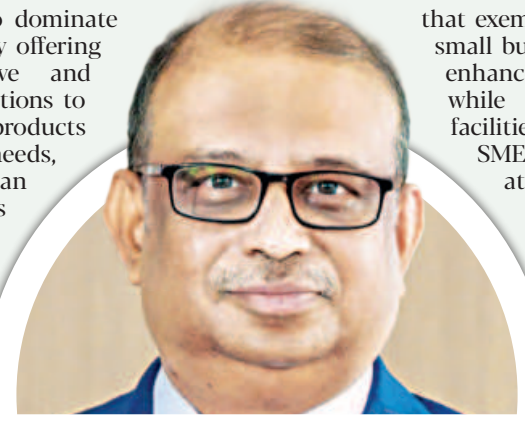
Additional measures that banks can take to better support SMEs include ensuring quick and timely disbursement of SME loans and financing accurate loan amounts according to customer requirements. For seasonal businesses, timely disbursement of SME loans is crucial for maintaining business stability and ensuring timely loan repayments. We assess our clients thoroughly and provide financial support aligned with their business plans, focusing away from mortgage requirements. Business types and funding needs are carefully evaluated for customers, and we continuously enhance our SME product offerings accordingly. Our bank plans to strengthen our focus on meeting the needs of SME clients by expanding our range of product solutions from working capital to fixed asset finance, thereby streamlining and reinforcing SME lending.

In terms of government support to facilitate our efforts in assisting SMEs, we strongly believe

that exempting cottage, micro, and small businesses from taxes could enhance clients' financial solvency, while increasing refinance facilities may reduce fund costs. SME products must be more attractive and suitable for the international market, necessitating training for business owners to meet international standards. They will also require advanced equipment and technology to increase production and manufacture high-quality, durable products. In addition to financial support, these business owners will need technical, marketing, and managerial support.

SME clients face issues with foreign currency and Letters of Credit (LC) for imports. Coupled with shortages in gas supply, these challenges cause businesses to shrink, necessitating support in these areas. Despite the government's initiative to establish 100 Economic Zones in Bangladesh, SMEs do not find viable opportunities there. Apart from the presence of the Bangladesh Small & Cottage Industries Corporation (BSCIC) and the 74 industrial estates, there are no other hubs or areas fostering SME growth. The government may implement changes to improve this scenario and focus more on supporting SMEs in the future, ensuring easy access to finance, which will facilitate our efforts in assisting SMEs.

Building awareness among SME clients regarding international standards and marketable products, maintaining proper business documentation to ensure organised, accessible, and up-to-date records, fostering genuine transactional relationships with banks, enhancing market competitiveness, and assuring product quality are crucial aspects for boosting the SME sector. In addition to trading businesses, which dominate in our country, manufacturing businesses also hold significant growth potential within the SME sector.



**ALI REZA IFTEKHAR**  
MANAGING DIRECTOR & CEO  
EASTERN BANK

## Bridging the Gap Enhancing Financial Services for SMEs

FROM PAGE J6

"We are implementing different cluster financing strategies to onboard potential CMSMEs in areas where we currently lack physical presence. We are the first bank to provide financial support to small-scale manufacturers of imitation jewellery in Savar's Vakurta," he added.

"Dhaka Bank has already financed 8 clusters and 156 customers individually, amounting to Tk 37.63 million, and has collaborated with the SME Foundation to utilise their refinancing schemes," said Md Mahbubur Rahman Palash, Executive Vice-President and Head of MSME and Emerging Business Division at Dhaka Bank.

Midland Bank have adopted a unique approach to reach clients in remote areas by partnering with NGOs. "We are also setting up SME Centers in Nababpur and Gazipur to support small traders, which will be launched soon," said Md Ahsan Jamil Hossain, Head of SME and Agri at Midland Bank.

Meanwhile, LankaBangla Finance deploys Mobile Lending Officers (MLOs) to assist clients and businesses in remote areas, aiming to reduce operational costs. "Our MLOs are equipped with motorbikes and laptops, allowing them to operate flexibly and reach clients in the most marginalised areas. This approach enables us to expedite loan processing while minimising the expenses associated with establishing new branches," said AKM Kamruzzaman, Acting Managing Director of LankaBangla Finance.

Financial institutions are also leveraging mobile financial service (MFS) platforms to disburse and collect repayments on SME loans. Many small businesses do not hold bank accounts but maintain accounts with various MFS platforms like bKash, Rocket, and Nagad, streamlining the loan processing procedure.

"LankaBangla has established connectivity with all MFS platforms operating in the country, enabling direct loan disbursements to and repayments from our clients. We have also integrated with different payment service providers such as iPay," added AKM Kamruzzaman.

Meanwhile, City Bank has integrated its digital solutions with bKash through a tri-party agreement involving their clientele to simplify loan processing. "Through our tri-party agreement with bKash, we access annual sales data from our clients. This allows us to set an overdraft limit for each business. Traders can request loans via the City Bank app, and the process takes approximately 17 seconds," said Kamrul Mehedi.

Dhaka Bank also signed an agreement with bKash in March this year to provide 24/7 cash management services to bKash distributors, agents, and merchants. "Through the Dhaka 24/7 project with bKash, distributors, agents, and merchants can add or transfer e-money in real-time. They can generate and transfer e-money using their Dhaka Bank accounts," said Md Mahbubur Rahman Palash, Head of MSME at Dhaka Bank.

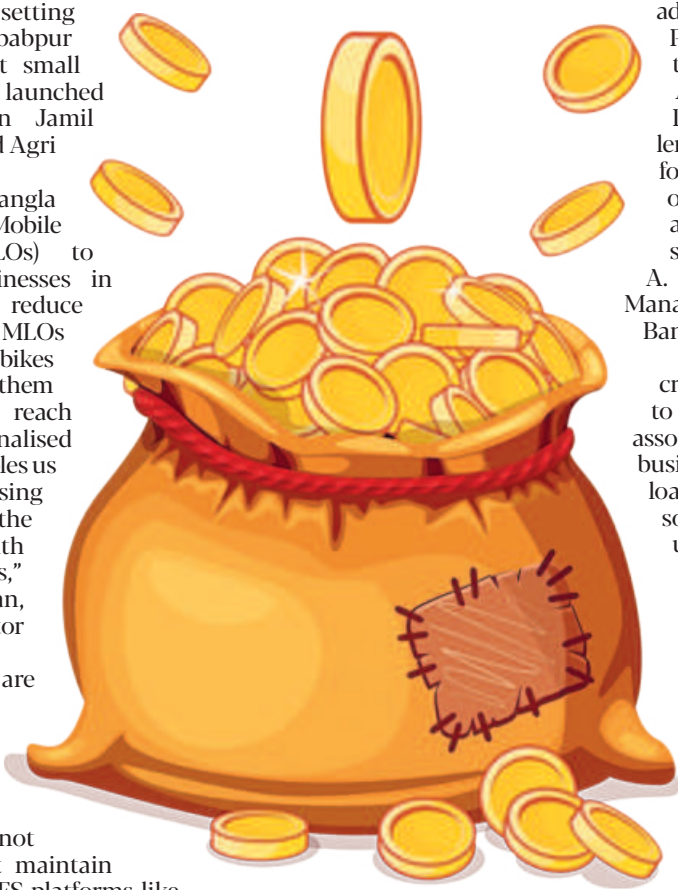
Another major issue concerns the accessibility of financial data. There is a screening process before approving a client's loan, which includes verifying their identities, assessing credit risks, and evaluating the condition of their existing business. In these cases, digital solutions prove invaluable.

"To enhance SME support, banks should adopt advanced technology. Prime Bank is leading this effort with "Digital Account Opening Procedures" and digital lending facilities tailored for small-ticket SMEs, offering a streamlined, automated experience," shares Md. Nazeem A. Choudhury, Deputy Managing Director of Prime Bank.

"We have implemented credit scoring software to assess the credit risks associated with specific businesses and expedite loan processing. This software automatically updates and generates data on the business in question, facilitating faster loan approvals," said AKM Kamruzzaman, Acting Managing Director of LankaBangla Finance. "Digital solutions have been a key focus for our bank in SME services. We have already approved plans for our Entrepreneur Nano Loan scheme, which integrates digital solutions into the credit approval process," said Kamrul Mehedi from City Bank.

"Our next objective is to integrate digital thumb impressions for instant loan approvals and reduce the current 3-4 day processing gap. If we can consolidate all identification and verification systems into one digital platform, it could significantly reduce costs and processing times for monitoring loans," said AKM Kamruzzaman from LankaBangla Finance.

LankaBangla also serves as a financial consultant for businesses seeking loan assistance. In addition to regular customer awareness training at branch level, they have launched a chatbot and an app called "FinSmart" to assist their clients in this regard.



MTB এসবিএল প্লাস



### এমটিবি এসবিএল প্লাস

এসএমই ব্যবসার জন্য বড় আকারের জামানতবিহীন/নগদ জামানত ডিজিটাল ঋণ



#### আবেদনের যোগ্যতা

- ন্যূনতম ৫ বছরের ব্যবসায়িক অভিজ্ঞতা
- কোন ব্যাংক/আর্থিক প্রতিষ্ঠানের ২ বছরের নিয়মিত ঋণ পরিচালনা ও পরিশোধের ইতিহাস

#### উদ্যোক্তার বয়স

- এককমালিকানা ব্যবসায়: ২১-৬০ বছর
- কোম্পানি: ১৮-৬৫ বছর
- ব্যবসার ধরণ ভেদে ব্যাংক হিসাবে লেনদেনের ২৫%-৪০% প্রতিফলন

#### বৈশিষ্ট্য

- ঋণের ধরণ: মেয়াদি ঋণ
- ঋণের মেয়াদ: ১ বছর থেকে ৩ বছর
- ঋণের পরিমাণ: ৫০ লক্ষ থেকে ১ কোটি টাকা
- জামানতের ধরণ: জামানতবিহীন/নগদ জামানত
- চলতি মূলধন ও ব্যবসা সম্প্রসারণ সহায়ক ঋণ

বিস্তারিত তথ্য ও সহযোগিতার জন্য যোগাযোগ  
info.sme@mutualtrustbank.com



## Set a specific interest RATE FOR SMEs

Midland Bank has been committed to inclusive banking since its inception. It places great importance on the SME sector and continually strives to increase credit flow to SMEs under the policies, guidelines, and circulars issued by Bangladesh Bank. We have centralised the SME division since its inception to ensure the availability of SME loans.

Midland Bank provides SME loans through its branches, sub-branches, and agent banking centres under the direct supervision of the Retail Distribution Division. Moreover, we have a linkage financing programme via NGOs to reach SMEs in rural and hard-to-reach areas.



**MD AHSAN-UZ ZAMAN**  
MANAGING DIRECTOR & CEO  
MIDLAND BANK

SMEs. Bangladesh Bank could introduce a specific interest rate for SMEs. A detailed guideline should be introduced by Bangladesh Bank regarding collateral security against SME financing. The licensing process of various government agencies to establish a new industry under SMEs should be simplified, introducing a one-stop service for them. Organising adequate training under the direct supervision of Bangladesh Bank or other regulatory bodies to enlarge the capacity of SME entrepreneurs will help skill and capacity development. Extending more emphasis on vocational education and encouraging our students to become entrepreneurs will help develop the sector further.

**We also need to utilize digital platforms for both loan disbursement and deposit collection. We should focus more on cluster-based financing and introduce SME service centers to address the various needs of our clientele.**

To better support SMEs, we believe it's important to enrich the centralized SME and branch teams by recruiting experienced human resources with expertise in SMEs. We also need to utilize digital platforms for both loan disbursement and deposit collection. We should focus more on cluster-based financing and introduce SME service centers to address the various needs of our clientele.

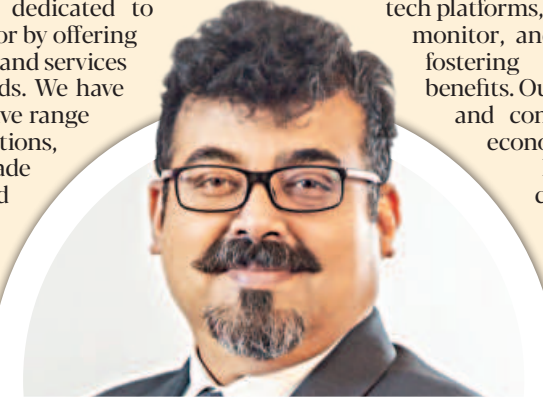
Scopes for these refinance or pre-finance schemes could be increased to facilitate more

To boost the sector further, special training facilities should be arranged for SMEs under the supervision of Bangladesh Bank. There should be a specific VAT policy for small industries to strengthen their footprint in the market. The SME Master Policy should be revised, taking the impacts of inflation into account. The licensing process in various government agencies to establish a new small/medium business should be simplified with a one-stop service.

## Provide more finance & REFINANCE OPTIONS

At Prime Bank, we are dedicated to empowering the SME sector by offering tailored banking products and services to meet their specific needs. We have introduced a comprehensive range of solutions for transactions, deposits, loans, trade support, and non-funded needs. Our simplified loan procedures and digital banking solutions, including nano loans, enhance accessibility for SMEs. Nationwide, our relationship managers and robust risk management infrastructure ensure effective support.

We also collaborate with major trade associations and provide supply-chain financing. To reach SMEs in rural areas, we utilise our 146 branches, agent banking outlets, ATMs, and digital banking platforms. Additionally, our



**MD. NAZEM A. CHOUDHURY**  
DEPUTY MANAGING DIRECTOR  
PRIME BANK

tech platforms, and corporates to acquire, monitor, and recover SME portfolios, fostering mutual, non-monetary benefits. Our goal is to empower SMEs and contribute to the country's economic development.

In order to facilitate SME customers, we have been working collaboratively to ensure that more options are provided to finance and refinance the SMEs. There is a need to enhance risk-sharing financing, implement flexible credit guarantee schemes, and increase refinance options. These measures will boost the confidence of formal financiers, thereby improving access to capital for CMSMEs and fostering economic growth through better financial inclusion of small businesses.

**There is a need to enhance risk-sharing financing, implement flexible credit guarantee schemes, and increase refinance options. These measures will boost the confidence of formal financiers.**

linkage financing programme with MFIs extends our reach to rural SMEs, with a significant focus on small and micro enterprises.

To better support SMEs, banks can design comprehensive, diversified product assortments and adopt advanced technology. Prime Bank is committed to this by initiating "Digital Account Opening Procedures" and launching Digital Lending Facilities for small-ticket SMEs, ensuring a seamless, manual-free experience. We are also partnering with eligible intermediaries like NGOs,

To boost the SME sector, fostering financial literacy through initiatives by the government, regulators, financial institutions, and trade bodies is crucial. This will enhance SMEs' managerial and operational capacities. Additionally, leveraging alternative acquisition channels and embracing digital transformation can significantly help SMEs scale up successfully, driving economic growth in our country. We are committed to supporting these efforts to empower SMEs and contribute to national development.



বাংক এশিয়া

স্বপ্ন ছোট হোক অথবা বড়  
**সম্ভাবনা**  
যাক  
**দিগন্ত**  
ছাড়িয়ে

**৭%**  
SME ঋণ

আপনার স্বপ্ন পূরণের পথ আরও সহজ করে তুলতে পাচ্ছেন  
সর্বনিম্ন ৫০,০০০ থেকে  
সর্বোচ্চ ৫০ লক্ষ টাকা পর্যন্ত



তারিকুল আলম  
(উদ্যোক্তা)

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\*শর্ত প্রযোজ্য

১৬২০৫

## LankaBangla CMSME Loan

To empower your business



LankaBangla Finance is working relentlessly for your business growth and success. With simplified terms and faster loan processing, choose the preferred one from our wide range of CMSME loan to accelerate your business.

**We promise to walk along with you in your success.**

Small Business (Unsecured)	Small Business (Secured)	Emerging & Medium Business	Supply Chain Finance	Specialized Loan for Women
Ahona Bishwas Somporko	Astha Ejara Abash Swarnali Durbar Sorol	Working Capital Solution Lease/Asset Backed Financing Term Loan Financing	Factoring Finance Distributor Financing Reverse Factoring Short Term Loan and Lease	Shikha Anonnya

To know more about CMSME loan, please visit or scan [www.lankabangla.com/sme-financial-services/#sme-loan](http://www.lankabangla.com/sme-financial-services/#sme-loan)





# Star BUSINESS

The share of total allocation for spending directly on poverty reduction has come down for the upcoming fiscal year, deepening the uncertainties of the poor.



Story on B4

## Team up with India to protect shared GI: CPD

STAR BUSINESS REPORT

Bangladesh should explore potential avenues for joint protection of shared GI (geographical identification) with India and put in place a legal framework to safeguard the country's traditional products, said the Centre for Policy Dialogue (CPD) yesterday.

The suggestion comes after Sundarbans' honey was displayed by the neighbouring country as a GI product.

West Bengal Forest Development Corporation Ltd applied for GI rights for Sundarbans' honey on July 12, 2021, and the tag was issued on January 2, 2024, the think-tank said.

The information came to light through a tweet by the West Bengal Forest Department on May 16.

"This sole representation of the said product by India sparked questions in our minds as the majority of Sundarbans' territory lies within Bangladesh," said Debapriya Bhattacharya, a distinguished fellow of the CPD, at an event at its office in Dhaka.

Bangladesh's Department of Patent, Designs and Trademark (DPDT) has listed 31 GI products as of April 30, 2024. The list does not include the Sundarbans' honey.

The district administration of Bagerhat, however, filed an application for the GI tag of the Sundarbans' honey on August 7, 2017, and there has been no development since then, the CPD said.

"This is a rather astonishing example of administrative dereliction of duty. Thus, the GI of Sundarbans' honey in Bangladesh has remained unsecured," Bhattacharya said in a presentation.

He added Sundarbans' honey has been recognised as a GI product of India whereas

### What is GI?

GI is a sign used on products that have a specific geographical origin and possess qualities. GI-tagged products fetch higher prices

### AT A GLANCE

- 60% of the Sundarbans is in Bangladesh
- Bangladeshis extract 200-300 tonnes of honey from the Sundarbans annually
- India collects 111 tonnes per year
- India secured GI tag for honey in January 2024
- Bagerhat's district administration filed an application for GI tag of Sundarbans honey in 2017. It is yet to be registered as Bangladesh's GI product

Bangladesh did not give any importance to it. Bangladesh is the primary extractor of the honey from the largest mangrove forest in the world. While official records are not available, 200-300 tonnes of the popular sweet substance are extracted from the forest annually.

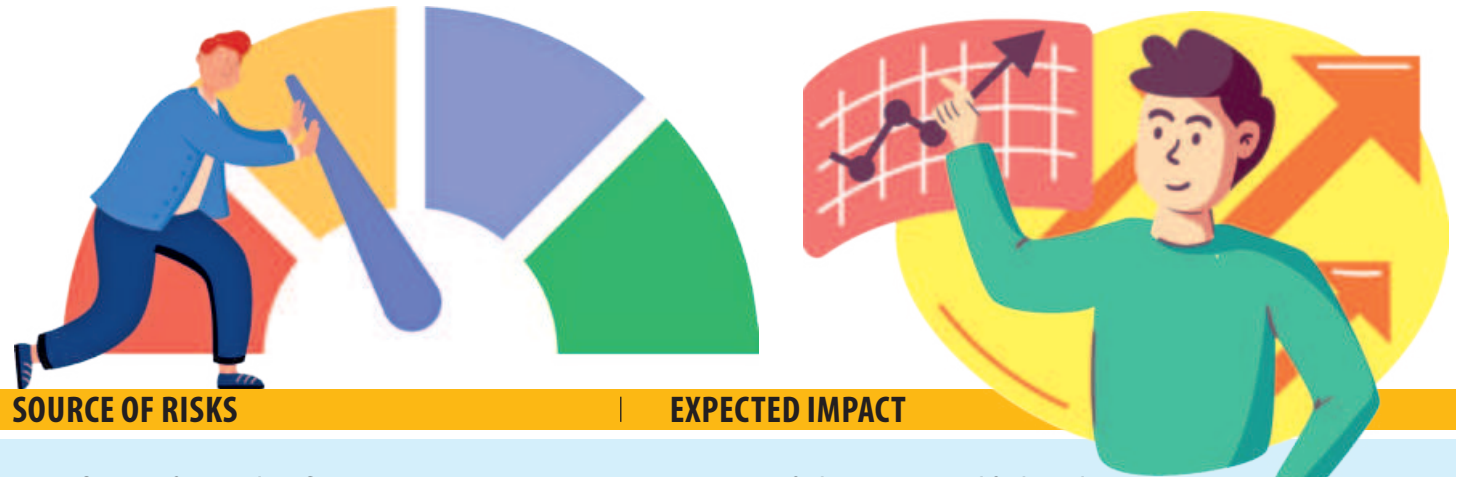
This is not the first time, Bangladesh and India have faced a row over GI.

On February 1, 2024, India's Ministry of Culture announced that the West Bengal State Handloom Weavers Co-Operative Society secured the GI status for 'Tangail Saree' under the name of 'Tangail Saree of Bengal'.

This triggered outrage and criticism

READ MORE ON B3

## IMF flags nine risks for Bangladesh



### SOURCE OF RISKS

- Intensification of regional conflicts
- Commodity price volatility
- Abrupt global slowdown
- Systemic financial instability
- Deepening geo-economic fragmentation

### EXPECTED IMPACT

- Disruption of wheat exports and fuel supply
- Increase in current account deficit and fiscal burden
- Lower growth abroad could lower exports and remittances
- Tighter global financial conditions could intensify financial account
- Supply disruptions and weaker confidence adversely affect economic activity

### RISKS AND THEIR IMPACT ON BANGLADESH ECONOMY

Failure to maintain higher degree of exchange rate flexibility consistent with new exchange rate regime

Failure to effectively address the problems in the banking system

Insufficient international support in resolving the Rohingya crisis

Higher frequency and severity of natural disasters related to climate change

Exhausted foreign reserves may ignite disorderly external adjustment with depreciation-inflation spiral

Elevated NPLs and low capital adequacy may intensify fiscal burden and hamper banks' ability to finance growth

Fiscal pressure may intensify on weaker donor support

Adverse impact will be on key infrastructure, agriculture, allied activities, and livelihoods

### REJAUUL KARIM BYRON

The International Monetary Fund (IMF) has suggested greater exchange rate flexibility to preserve reserve adequacy, warning failure to do so may create further imbalances in the currency market.

This is one of the nine risks the Washington-based lender has identified as the Bangladesh Bank struggles to lift the international currency reserves, contain inflation and restore macroeconomic stability.

They were cited in the programme

document as the lender approved \$1.15 billion in the third tranche of the \$4.7 billion loan to Bangladesh on Monday to shore up its reserves.

The risks are both external and internal. They are intensification of regional conflicts; commodity price volatility; abrupt global slowdown; systemic financial instability; deepening geo-economic fragmentation; failure to maintain exchange rate flexibility; failure to address the problems in the banking system; insufficient international support in resolving the Rohingya crisis; and higher frequency of natural disasters.

The central bank will have to take IMF's recommendations seriously as it is set to formulate the monetary policy for the next six months in July.

The failure to maintain a higher degree of exchange rate flexibility consistent with the new exchange rate regime, and to clear the foreign exchange market and support orderly external adjustment has been described as

a short-term risk factor.

"Further exchange market imbalances and exhausted BB's foreign reserves may ignite disorderly external adjustment with depreciation-inflation spiral," it said.

So, the IMF recommended further steps to realign the exchange rate, and tightening monetary policy to sustain positive interest rate differential to gain credibility and counter speculations.

On May 8, the Bangladesh Bank relinquished its control over fixation of the exchange rate. It also made the bank interest rate market-oriented after nearly four years.

It came as the gross forex reserves plunged to \$19.8 billion in March from its peak of \$41.7 billion in August 2021 because of higher outflows against inflows. Official figures suggest continued forex intervention with net sales reaching \$7.8 billion as of March 7 of the outgoing fiscal year.

The IMF said realigning exchange rates to a market-clearing level has been critical to rebuild forex reserves. "This should remain a near-term priority."

READ MORE ON B3



## Phasing out tax holiday in EZs a violation of deals Japanese envoy writes to finance minister

JAGARAN CHAKMA

Implementation of the budgetary proposal to phase out a tax holiday for investors and developers of private economic zones (EZs) will be a violation of agreements signed over developing the zones, according to the Japanese ambassador to Bangladesh.

"If the tax benefits and investment incentives of BSEZ (Bangladesh Special Economic Zone) were reduced or abolished, it would be a violation of the contractual provisions set out in the development agreement," said the ambassador, Iwama Kiminori.

For both governments, who place importance on compliance with the

law, such a contract violation cannot be overlooked, he noted.

The Japanese ambassador expressed these concerns on Monday in a letter to Finance Minister Abul Hassan Mahmood Ali, who had proposed the national budget for the upcoming fiscal year on June 6.

The budget had also proposed withdrawing a zero-duty benefit on the import of capital machinery, components and construction materials in FY25.

As a result, firms operating in the industrial enclaves will have to pay a 1 percent customs duty.

"We express strong concern that

READ MORE ON B3

## Islamic banks' liquidity plummets 77% in 3 months

AM JAHID

Liquidity at Islamic banks in Bangladesh has decreased drastically, deepening a lingering cash crunch at the crisis-hit Shariah-based banks.

Excess liquidity at Islamic banks fell by 77.14 percent to Tk 1,518 crore at the end of March this year, according to the Bangladesh Bank's latest quarterly report on Islamic banking.

It was Tk 6,643 crore at the end of December last year.

This means that the excess liquidity dropped by Tk 5,125 crore in the span of just three months.

Year-on-year, the March figure was down by 27.82 percent, meaning Tk 585 crore.

Excess liquidity is calculated after a bank has met the regulatory requirements of cash reserve ratio (CRR) and statutory liquidity ratio (SLR).

Shariah-based banks must keep a CRR equal to 4 percent of customers' deposits in cash with Bangladesh Bank overnight alongside an SLR equal to 5.5 percent of customers' deposits in the form of cash, gold or other securities.

The country's Shariah-based banks are facing a severe liquidity crisis apparently due to an increase in loan disbursements.

The total amount of outstanding loans in the banking system increased by Tk 12,020 crore or 2.70 percent to Tk 456,994 crore at the end of March 2024 compared to the end of December 2023.

It was also Tk 44,597 crore or 10.81 percent higher from that at the end of March 2023.

Islamic banks accounted for 28.24 percent of the total loans and advances of the whole banking sector at the end of March 2024.

Meanwhile, the total amount of deposits in the banking system stood at Tk 439,465 crore at the end of March 2024, down Tk 3,938 crore

### KEY NUMBERS OF ISLAMIC BANKS

(Jan-Mar quarter compared to previous quarter)

#### DEPOSITS

Tk 4,39,465cr

Fell by Tk 3,938cr or 0.89%



#### EXCESS LIQUIDITY

Tk 1,518cr

Fell by Tk 5,125cr or 77.14%



#### INVESTMENT

Tk 4,56,994cr

Rose by Tk 12,020cr or 2.70%



#### EXPORTS HANDLED

Tk 32,131cr

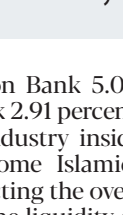
Fell by Tk 4,903cr or 13.3%



#### REMITTANCES

Tk 25,897cr

Increased by 6.72%



from that at the end of December last year.

It was Tk 27,834 crore or 6.76 percent higher at the end of March 2023.

The share of deposits of Islamic banks was 26.23 percent of the total deposits of the entire banking sector at the end of March 2024.

Islami Bank Bangladesh accounted for the highest 34.74 percent of deposits of Islamic banks.

Al-Arafah Islami Bank accounted for the second-highest, 10.42 percent, followed by First Security Islami Bank (10.20 percent) and EXIM Bank (9.62 percent).

Besides, Social Islami Bank held 7.38 percent of the deposits, ICB Islamic Bank 0.28 percent, Shahjalal Islami Bank 5.88 percent,

Union Bank 5.05 percent, and Global Islami Bank 2.91 percent.

Industry insiders said a liquidity shortage at some Islamic banks has been adversely affecting the overall banking sector.

The liquidity crunch is worsening although some banks have been taking liquidity support from the central bank.

An official of the Bangladesh Bank told The Daily Star that Islamic banks in Bangladesh were sitting on huge amounts of excess liquidity two to three years ago.

But now the sector is facing challenges due to massive loan irregularities at five of the banks, he added.

## Deals next month with India, Myanmar for commodity import

STAR BUSINESS REPORT

Bangladesh is going to sign agreements with India and Myanmar for importing essential commodities round the year to sell those among local consumers at affordable prices, State Minister for Commerce Ahasanul Islam Titu said yesterday.

The agreements might be signed by next month, Titu said at a discussion with the members of the Bangladesh Secretariat Reporters Forum held at the secretariat in Dhaka.

The commodities will be brought in from Myanmar and India, as they produce a lot of agricultural products, the state minister also said.

Titu also said his government has been working to increase the number of border haats along the border of Bangladesh and India so that the consumers of remote areas of the two nations can do trade easily.

The state minister said the government has been working to improve trade with Thailand so the trade of the country also increases with the countries of the Association of Southeast Asian Nations.

এসবিএসি ব্যাংক পিএলসি. SBAC BANK  
BSC Tower, 2 & 3 Rajuk Avenue, Motijheel C/A, Dhaka 1000.

### Price Sensitive Information

This is for information of all concerned that SBAC Bank PLC. has been rated by Credit Rating Information and Services Limited (CRISL) on 26.06.2024 on its audited financials up to 31.12.2023, and unaudited financials up to 31.03.2024, and other relevant quantitative as well as qualitative information up to the date of rating declaration, as follows:

Long Term	Short Term	Outlook	Rating Date	Rating Validity
A+	ST-2	Stable	26.06.2024	25.06.2025

By order of the Board

Md. Mokaddess Ali FCS  
Company Secretary

26 June, 2024  
Dhaka.

# Dhaka Bank declares 10% cash dividend



**Wael Sabra becomes new chairman of BAT Bangladesh**

STAR BUSINESS DESK

Wael Sabra has been appointed as the chairman of BAT Bangladesh, effective from August 1, 2024.

Sabra will succeed Golam Mainuddin, who completed a remarkable 42-year tenure at BAT Bangladesh.

As a seasoned professional, Sabra has been serving BAT for 21 years.

Currently, he is the area director for BAT Middle East, South Asia, North Africa, Caucasus and Central Asia, according to a press release.

Beginning his career with BAT in 2003, Sabra held numerous senior positions in the company, gaining extensive experience through his work across the Middle East, Africa, and South Asia, which has contributed to the company's continued success.

Since March 2023, he has served as a non-executive director on the board of directors of BAT Bangladesh.

"The BAT Bangladesh management board warmly welcomes Wael Sabra to his new role. The company looks forward to leveraging his extensive experience and leadership to drive strong business results and continue its mission as a credible growth partner for the nation," the press release read.



**Abdul Hai Sarker, chairman of Dhaka Bank, presides over the bank's 29th annual general meeting, which was held virtually yesterday. The meeting announced a 10 percent cash dividend for 2023.**

PHOTO: DHAKA BANK

STAR BUSINESS DESK

Dhaka Bank announced a 10 percent cash dividend for the year that ended on December 31, 2023.

The announcement came at the bank's 29th annual general meeting (AGM), which was held virtually yesterday, the bank said in a press release.

Abdul Hai Sarker, chairman of the

bank, presided over the meeting.

The shareholders also approved the audited financial statements for 2023 at the AGM.

Amanullah Sarker, vice-chairman of the bank, ATM Hayatuzzaman Khan, founder vice-chairman, Reshadur Rahman, Altaf Hossain Sarker, Mohammed Hanif, Md Amir Ullah, Tahidul Hossain Chowdhury, Abdullah Al

Ahsan, Mirza Yasser Abbas, Jashim Uddin, Rokshana Zaman, Manoara Khandaker and Rakhi Das Gupta, directors, were present.

Among others, Ahab Ahmed, Feroz Ahmed, and Mohammad Ali Taslim, independent directors, AKM Shahinawaj, acting managing director, and Md Shahjahan Miah, company secretary, were also present.

# Safwan Choudhury re-elected as vice-chairman of Bank Asia

STAR BUSINESS DESK



Mohd Safwan Choudhury was re-elected as vice-chairman of Bank Asia at a meeting of the bank's board of directors on Sunday.

Choudhury is an eminent industrialist of Bangladesh, the bank said in a press release.

He is a former president of the Sylhet Chamber of Commerce & Industry. He is also the managing director of M Ahmed Tea & Lands Company Ltd, Phulbari Tea Estates Ltd, M Ahmed Cold Storage Ltd, Premier Dyeing & Calendering Ltd and M Ahmed Food & Spices Ltd.

Moreover, Choudhury is the president of the Friends In Village Development Bangladesh (FIVDB), a non-government organisation providing primary education to underprivileged children.

He also served as chairman of the Bangladesh Tea Association.

# Oil price rises

REUTERS, London

Oil prices inched up on Wednesday nearing their highest level in almost two months, driven by forecasts for an eventual inventory drawdown during the third quarter peak summer demand season and geopolitical risks from the Middle East conflict.

The American Petroleum Institute (API) on Tuesday reported US crude oil stocks rose by 914,000 barrels, market sources said. Still, analysts expect them to decline by nearly 3 million barrels in official inventory data due on Wednesday.

Brent crude oil futures were up 63 cents, or 0.7 percent, to \$85.64 a barrel by 0938 GMT. US West Texas Intermediate crude futures gained 74 cents, or 0.9 percent, to \$81.57.

# NRB Bank opens 8 sub-branches

STAR BUSINESS DESK

NRB Bank yesterday opened eight sub-branches in seven different districts across the country.

The sub-branches are Fenchganj in Sylhet, Shantahar and Dhunat in Bogura, Batajor in Barishal, Gorai in Tangail, Kashiadanga in Rajshahi, Chhagolnainya in Feni and Dharmogonj in Narayanganj.

Mohammed Mahtabur Rahman, chairman of the bank, inaugurated the sub-branches as the chief guest from the bank's head office in Dhaka, according to a press release.

Golam Kabir, vice chairman of the bank, Md Motior Rahman, chairman of the audit committee, and Mohammed Jahed Iqbal, Mohammed Ehsanur Rahman and Bayzun N Chowdhury, directors, were present.

Md Omar Faruk Khan, managing director and CEO (current charge) was also present.



**Mohammed Mahtabur Rahman, chairman of NRB Bank, cuts a ribbon to virtually inaugurate eight sub-branches as chief guest from the bank's head office in Dhaka yesterday.**

PHOTO: NRB BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (JUNE 26, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 68-Tk 78	7.35 ↑	8.15 ↑
Coarse rice (kg)	Tk 50-Tk 54	4.00 ↑	6.12 ↑
Loose flour (kg)	Tk 40-Tk 45	6.25 ↑	-20.56 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 150-Tk 155	3.39 ↑	-10.82 ↓
Potato (kg)	Tk 55-Tk 60	9.52 ↑	53.33 ↑
Onion (kg)	Tk 90-Tk 95	27.59 ↑	37.04 ↑
Egg (4 pcs)	Tk 50-Tk 54	4.00 ↑	11.83 ↑

SOURCE: TCB



**M Khorshed Anowar, deputy managing director and head of retail and SME banking of Eastern Bank, and Hussain Mashnoor Chowdhury, chief executive officer of Rancon Car Hub Ltd, pose for photographs after signing a memorandum of understanding in Gulshan recently.**

PHOTO: EASTERN BANK

# Eastern Bank offers auto loans to Rancon Car Hub's customers

STAR BUSINESS DESK

Eastern Bank recently signed a memorandum of understanding (MoU) with Rancon Car Hub Ltd, a strategic business unit formed under Rancon Holdings Limited.

M Khorshed Anowar, deputy managing director and head of retail and SME banking of the bank, and Hussain Mashnoor Chowdhury, chief executive officer of the automobile company, penned the MoU in Gulshan, according to a press release.

Under the MoU, the bank will offer auto loans at attractive terms and conditions to customers that purchase reconditioned cars from Rancon Car Hub.

Syed Zulkar Nayan, head of business-retail and SME banking of the bank, and Md Obeydur Rahman Patoary, sales operation manager of the automobile company were among others present.



**Abdus Samad Labu, chairman of Al-Arafah Islami Bank, cuts a ribbon to inaugurate a relocated branch of the bank as chief guest in the capital's Uttara yesterday.**

PHOTO: AL-ARAFAH ISLAMI BANK

# Al-Arafah Islami Bank opens relocated Uttara branch

STAR BUSINESS DESK

Al-Arafah Islami Bank yesterday opened a relocated Uttara Model Town branch with a view to providing the best modern banking services to its customers.

Abdus Samad Labu, chairman of the bank, inaugurated the branch as chief guest, the bank said in a press release.

Farman R Chowdhury, managing

director and CEO of the bank, presided over the programme.

Shabbir Ahmed, Md Abdullah Al Mamun, Fazlur Rahman Chowdhury, and Mohammad Hossain, deputy managing directors of the bank, were present.

SM Abu Zafar, senior executive vice-president and manager of the new branch, along with senior officials of the bank's head office were also present.

# Agrani Remittance House, Malaysia holds awareness programme on remittance, offshore banking

STAR BUSINESS DESK

Agrani Remittance House, Malaysia, a subsidiary of Agrani Bank, recently organised an awareness programme on remittance through legal channels, participation in the Universal Pension Scheme (UPS), and offshore banking deposit accounts.

Zaid Bakht, chairman of the bank, attended the event, organised by Agrani Remittance House and Seal Consult SDN BHD at the Polao Inda Sunway Daiso DGC Project in Port Klang, Selangor, Malaysia, according to a press release.

Bakht emphasised the importance of sending remittances through legal channels and said that the government has introduced a long-term scheme for expatriates under the UPS, named Probash.

Through this scheme, both expatriate Bangladeshis and the country will be benefited.

"The state will ensure the proper use of the invested money and guarantee a monthly pension at the end of the specified period for the participants in this scheme," Bakht said.

He further highlighted that remittances sent by expatriates significantly contribute to the country's economy.



**Zaid Bakht, chairman of Agrani Bank, poses for photographs with participants of an awareness programme organised by Agrani Remittance House and Seal Consult SDN BHD in Malaysia recently.**

PHOTO: AGRANI BANK

# US consumer confidence

FROM PAGE B4

Conference Board chief economist Dana Peterson said in a statement.

"Their view of the present situation improved slightly overall, driven by an uptick in sentiment about the current labor market, but their assessment of current business conditions cooled," she added.

Most of the decline between May and June was seen among consumers aged between 35 and 54, while younger and older consumers actually saw confidence improve, she said.

"Consumer Confidence edged modestly lower in June, keeping the index within its narrow recent range," Wells Fargo economists Shannon Seery, Wells and Jeremiah Kohl wrote in a note to clients.

"The details continue to demonstrate a hesitant, but not overly concerned, consumer," they added.

Consumer confidence in the United States has struggled to recover from a post-pandemic surge in inflation that prompted the Federal Reserve to hike interest rates to a 23-year high.

Despite inflation falling sharply, it remains stuck above the Fed's long-term two percent target, and the Fed remains on hold on rates -- pushing up the cost of borrowing for consumers and businesses.

Lackluster consumer confidence also remains a headache for President Joe Biden, who is talking up his economic record in office as he prepares to face off against Donald Trump in the November 5 election.



PHOTO: HABIBUR RAHMAN

Farmers specialising in rearing fry of rohu, katla and other fish varieties collect them once they turn into juvenile fish, meaning around one or two inches in length, for sale at around Tk 220 to Tk 350 per kilogramme. These farmers purchase the fry from hatcheries and sell the juveniles to another group of farmers who again rear them for around one year in big ponds till they weigh around a kilogramme or so and are ready for the market. The photo was taken at Ghona village in Khulna's Dumuria upazila recently.

## Saif Powertec, AD Ports team up for developing ports, container depots

STAFF CORRESPONDENT, Chattogram

Bangladesh's leading logistics provider Saif Powertec has teamed up with UAE-based AD Ports Group, a global leader in facilitating trade and logistics, for the development of ports, container depots and logistics facilities in Chattogram, Mongla and Dhaka.

The two would establish a joint working group to share expertise, studies, strategies, technical assistance and implement joint activities, according to a press release issued by AD Ports Group.

AD Ports Group Managing Director and CEO Mohamed Juma Al Shamisi and Saif Powertec Managing Director Tarafder Md Ruhul Amin signed a memorandum of understanding (MoU) in this regard at a programme at Abu Dhabi in the UAE yesterday.

This is for the first time a Bangladeshi company has signed an MoU with one of the global leading logistics firms, which would help in attracting a huge amount of foreign investment for the country's port and logistics development, Saif Powertec's managing director told The Daily Star.

"This cooperation highlights our ongoing commitment to unlocking fresh opportunities globally," AD Ports managing director said at the programme.

## ADP spending in July-May hits four-year low

AM JAHID

Spending under the annual development programme (ADP) hit a four-year low in the first 11 months of the current fiscal year, owing to a slower implementation rate centring the national elections.

Development spending dropped 4.19 percent in the July-May period of FY24 compared to the same period of the year prior.

The government managed to spend Tk 146,375 crore from the ADP in the 11-month period, according to data of the Implementation Monitoring and Evaluation Division (IMED).

The development spending amounted to Tk 146,021 crore, or 61.73 percent of the ADP, in the same period of the previous fiscal year.

In the first 11 months of FY24, the implementation rate reflected

57.54 percent of the total ADP allocation of Tk 254,391 crore.

During the 11-month period over the past five years, the lowest ADP implementation rate was seen in FY20, when it hit 57.37 percent.

That year, the government managed to spend Tk 122,131 crore out of a total allocation amounting Tk 209,272 crore.

Of the total ADP allocation in FY24, the government so far spent Tk 161,500 crore from its own fund, which represents 63.48 percent of the total spending.

Another Tk 83,500 crore was spent from foreign loans, which accounted for 32.82 percent of total expenditure, and around 3.69 percent of the total spending came from state-owned enterprises.

Among the 15 highest recipients of ADP allocations, the power division was the top performer in the July-May period in terms of implementation rate.

It spent 77.01 percent of its allocation, amounting to Tk 2,315 crore, followed by the science and technology ministry at 72.89 percent.

The shipping ministry was the worst-performing division in the July-May period, spending 42.43 percent of its budget.

Ashikur Rahman, principal economist of the Policy Research Institute of Bangladesh, said the ADP execution may have slowed for around three months during the time of the national elections.

"The government agencies could not fill up the gaps due to uncertainties centring the election," he said.

Rahman added that the average implementation rate in Bangladesh had been nearly 85 percent over the years, which should be over 90 percent to make the economy more functional.

## Garment exports to EU go up 2% in July-May

STAR BUSINESS REPORT

Garment exports to the European Union (EU) rose by 2 percent year-on-year to \$21.64 billion in the July-May period of the current fiscal year.

Shipments to Spain, France, the Netherlands, Poland and Denmark grew by 6.23 percent, 1.02 percent, 16.27 percent, 17.28 percent and 26.96 percent, respectively.

On the other hand, garment exports to Germany, the largest EU market for Bangladesh, declined by 10.12 percent year-on-year, according to data from the Export Promotion Bureau compiled by the Bangladesh Garment Manufacturers and Exporters Association yesterday.

Apparel exports to Italy also declined by 6.1 percent in the 11 months to May this year.

Meanwhile, apparel exports to the USA hit \$7.46 billion in the period, posting a 3.43 percent fall.

At the same time, exports to the UK grew by 12.34 percent year-on-year to \$5.15 billion and to Canada it declined by 0.31 percent to \$1.3 billion.

However, garment export to non-traditional markets grew by 6.47 percent year-on-year to \$8.18 billion.

Among the major non-traditional markets, shipments to Japan, Australia and South Korea posted respectively 1.83 percent, 11.76 percent and 14.34 percent growth.

But apparel exports to India decreased by 23.11 percent.

## Stocks rise for second day

STAR BUSINESS REPORT

Shares on the Dhaka Stock Exchange (DSE) climbed for the second consecutive day yesterday as investors showed increased interest in buying issues, especially large-cap stocks.

Among the large-cap shares, Beximco Pharmaceuticals, Robi Axiata, Grameenphone, BAT Bangladesh, Beacon Pharmaceuticals, LafargeHolcim, Square Pharmaceuticals, Orion Infusion, Heidelberg Materials Bangladesh, and Olympic Industries performed well.

Beximco Pharmaceuticals topped the pullers' chart with 8.05 percent, followed by Robi and GP with 5.08 percent and 4.67 percent, respectively.

The benchmark DSEX index rose by 60.88 points, or 1.16 percent, to 5,302.

The DSES index, which represents Shariah-compliant companies, was up 1.42 percent to 1,165.83 points, while the DS30 index, which consists of blue-chip companies, gained 1.38 percent to 1,903.83 points.

Turnover rose 15.36 percent to Tk 605 crore. The increase in turnover had a positive impact on the market, according to the daily market update by UCB Stock Brokerage.

Sector-wise, the telecom, engineering and cement sectors finished the day's trading on a positive note while travel and leisure, jute and non-bank financial institutions (NBFIs) ended on a negative note.

The food and allied sector dominated the turnover chart covering 15.87 percent of the market's total daily turnover.

## Gold falls near two-week low

REUTERS

Gold prices fell to their lowest in nearly two weeks on Wednesday as the dollar firmed, while investors awaited a report on the Federal Reserve's preferred inflation gauge due later this week for the latest clues on the central bank's rate cut prospects.

Spot gold fell 0.5 percent to \$2,308.00 per ounce by 1059 GMT, hitting its lowest since June 14. US gold futures also fell 0.5 percent to \$2,319.50.

"Gold flashed red on Wednesday thanks to hawkish comments from a Fed official in the previous session and a stronger dollar," said FXTM senior research analyst Lukman Otunuga.

Fed Governor Michelle Bowman on Tuesday reiterated her view that holding the policy rate steady "for some time" will probably be enough to bring inflation under control, but also repeated her willingness to raise borrowing costs if needed.

Higher interest rates increase the opportunity cost of holding non-yielding bullion.

The dollar rose 0.3 percent against its rivals, making gold more expensive for other currency holders, while benchmark 10-year yields also edged higher.

"This could be a wild week for gold due to economic and political forces. The Biden Vs. Trump face off and PCE report could inject the precious metal with renewed volatility. In the near term, support can be found at \$2300 and resistance at \$2340," said Otunuga.

Investors will be watching out for the US first-quarter gross domestic product estimates and a crucial debate between US President Joe Biden and Republican rival Donald Trump on Thursday, and the personal consumption expenditures (PCE) price index report on Friday.

## Phasing out tax holiday

FROM PAGE B1

The recent proposed removal of incentives to EZs is incompatible with medium-term to long-term economic growth policies," Kiminori said.

Bangladesh has been attracting attention as a promising investment destination for Japanese companies in recent years, but there is a great concern that this measure will damage trust in the Bangladesh government's industrial and economic policies, he said.

He also said it would result in the country being removed from the list of promising investment destinations compiled by international companies.

Increasing tax revenue is understandably an urgent issue as Bangladesh is going to graduate from least developed country status and aims to become an upper middle income country by 2031 and a developed country by 2041, said Kiminori.

"However, we must emphasise the importance of foreign direct investment to bring industrial diversification, macroeconomic stabilisation and job creation," he said.

The Japanese ambassador requested the Bangladesh government to take steps to retain the investment incentives for the BSEZ, also known as the Japanese economic zone, at Araihazar in Narayanganj.

According to him, the BSEZ has already received investments from eight international companies while a few others showed interest following its inauguration.

Japanese companies in particular place great importance on policy consistency, long-term commitments and contributions to the local society, said Kiminori.

The letter said Sumitomo Corporation, Japan International Cooperation Agency and Bangladesh Economic Zones Authority (Beza) signed a joint venture agreement to form a company named BSEZ to develop and operate the zone as a flagship project of the Japanese and Bangladesh governments.

The BSEZ signed another development agreement with Beza which clearly states the tax benefits and incentives set out in the BEZA Act 2010, it said.

Afterwards, the BSEZ signed contracts with tenant companies based on the development agreement, he said.

The reduction or elimination of investment incentives will have a significant impact on the international tenant companies that decided to invest based on their trust in the Bangladesh government's investment attraction policies, he said.

"We have requested the Prime Minister's Office and the National Board of Revenue to retain existing customs duty, value added tax, and income tax facilities," Shaikh Yusuf Harun, executive chairman of Beza, told The Daily Star yesterday.

The government is focusing on planned industrialisation and increased investment inflows and appropriate decisions will be taken, he said.

"Investors of the private EZs may enjoy the existing facilities but they will have to meet some new conditions," a finance ministry official told The Daily Star on Tuesday.

As part of government efforts to spur industrialisation, augment export earnings and create jobs through the setting up of 100 economic zones across the country, Beza has already granted approvals to establish 29 private economic zones.

Of them, eight are already operational.

Currently, investors in the EZs qualify for a tax break for a decade starting from the first year of their operations. They are entitled to a full tax waiver in the first three years.

The investors are granted an 80 percent tax waiver in the fourth year, 70 percent in the fifth year, and 60 percent in the sixth year.

The tax waiver declines by 10 percentage points in each subsequent year before standing at 20 percent in the 10th year.

## Team up with India

FROM PAGE B1

This prompted the government to unveil measures to secure the GI status for the Tangail sari. On April 25 this year, the GI certificate for Tangail Sari was issued.

Both countries have registered some other products, such as Nakshi Katha, Khirsapat Mango, Fazli Mango, Muslim, Jamdani Sari and Rasogolla, as their own, according to the presentation.

The GI is a name or sign used on some products to certify that they possess certain qualities enabled by the environment, weather and culture of a country. This facilitates branding highlighting traditions and reputations in the global market and creates a separate demand for the product.

The path to commercial production, marketing rights and legal protection is paved. GI-tagged products fetch higher prices compared to similar products in other countries.

The CPD said if there is confusion about the geographical origin, the

concerned members should seek a mutually agreed upon solution.

As per WIPO (World Intellectual Property Organisation), when GIs are assigned to shared resources, an honest use of GI can be possible across countries provided that the indications designate the true GI of the products on which they are used.

The CPD called for a legal framework towards a shared GI agreement since such disputes can be repeated. It said Bangladesh should look for a predictable legal solution to the issue of shared geographical resources.

"Given the contingency of geographical proximity and shared natural resources, it is now obvious that we need to find a mechanism to have shared GIs as global members have for this purpose."

The CPD said Bangladesh and India need to adopt a collaborative approach.

"A joint approach for exploiting trans-border GIs would be the best commercial strategy to enhance the recognition and value of the shared resources of both countries in

international markets."

The think-tank urged the government to join the European Union's Regional Agreement and the Geneva Act of the Lisbon Agreement 2015.

Once both Bangladesh and India sign up for the Geneva Act, discussions can be initiated on submitting joint applications under the law for all trans-border GIs, it said.

Professor Mustafizur Rahman, another distinguished fellow of the CPD, said the crisis that has arisen over the Sundarbans' honey should be resolved through a bilateral agreement so that both countries can benefit.

"If marketing is not done properly after obtaining GI certification, it will not be beneficial."

Fahmida Khatun, executive director of the CPD, said "If we don't gain the GI status for our traditional products, we will never be able to claim them as our own. Then, others will take them."

Naima Jahan Trisha, a programme associate of the CPD, also spoke.

## IMF flags nine risks for Bangladesh

FROM PAGE B1

Furthermore, greater exchange rate flexibility has warranted a tighter monetary policy stance to counter inflationary pressure stemming from the exchange rate pass-through to inflation.

The taka has lost its value by 35 percent against the US dollar in the past two years amid fast depletion of the reserves.

The pass-through of the sharp depreciation of the currency accounted for half of the inflation surge seen in Bangladesh in the last financial year, according to the IMF. Inflation has stayed above 9.5 percent in the current financial year as well.

The IMF said further scaling back of non-monetary use of forex reserves could provide some short-term relief.

Gross forex reserves currently cover about 2.5 months of imports. It is projected to increase to 3.6 months

by 2026-27. Over the medium-term, policies to expand and diversify export earnings, and attract FDI inflows should help in maintaining adequate coverage, the IMF said.

It said the monetary policy should continue to focus on addressing internal imbalances.

"Still, elevated inflation and inflation expectations will require continued monetary policy tightening until inflation consistently slows down to BB's medium-term target range of 5-6 percent."

The IMF also identified some global risk factors like the escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and the disruption facing the trade of energy, food and supply chains, and the remittances, FDI and financial flows.

The main impact will be a disruption of wheat exports from Ukraine while fuel supply from Russia

may increase import prices and reduce food availability, with adverse effects on activity, current account and inflation.

The commodity price volatility will widen the current account deficit and fiscal burden, pressures on the exchange rate, and the reserves.

The lender suggested targeted support to the poor and adopting an automatic fuel pricing mechanism.

Apart from externalities, the government's wrong policies and some local factors have also been responsible for the lingering macroeconomic instability over the last two years, local economists say.

The government has adopted a crawling peg as a transitional step toward greater exchange rate flexibility to address elevated inflation and falling reserves, said Finance Minister Abul Hassan Mahmood Ali in a letter to the IMF.

# Direct spending on poverty reduction shrinks

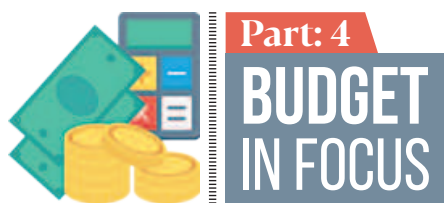
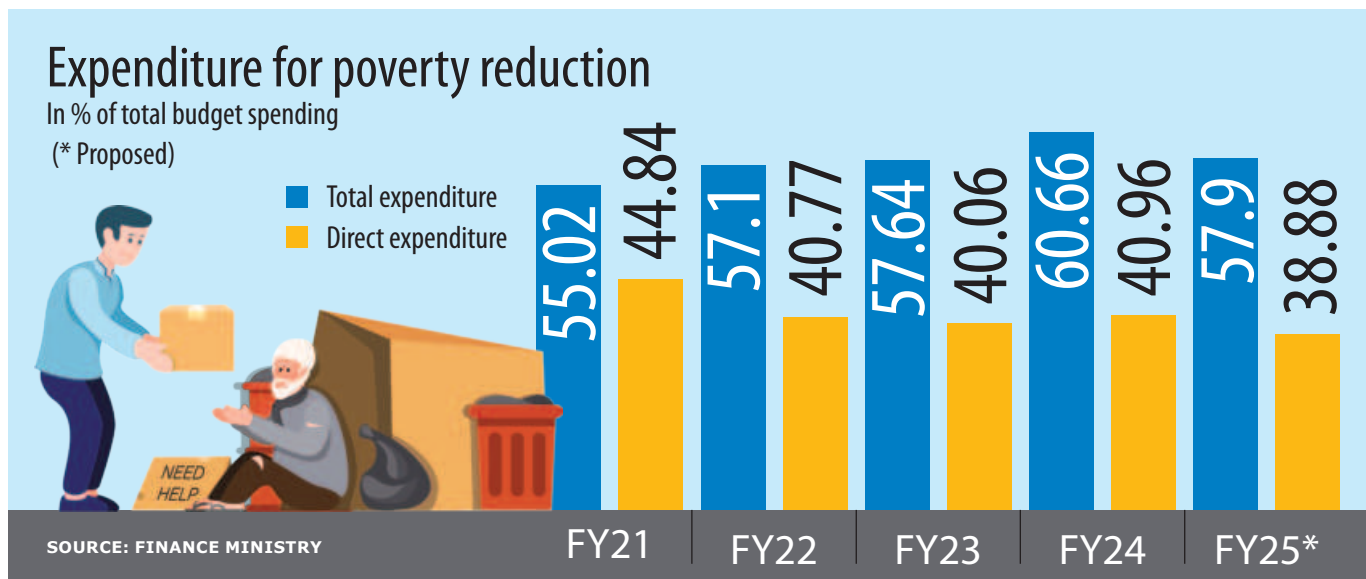
MD ASADUZ ZAMAN

The share of the total allocation for spending directly on poverty reduction has come down for the upcoming fiscal year despite persistently higher inflation, deepening the uncertainties of the poor.

Finance Minister Abul Hassan Mahmood Ali proposed a budget of Tk 797,000 crore for FY25, of which 57.9 percent is slated to be spent on poverty alleviation.

The government plans to spend 38.88 percent of the total expenditure to directly fight poverty, down 2.08 percentage points from the revised expenditure of FY24, according to data from the finance ministry.

Another 19.02 percent of the total expenditure will aim to alleviate poverty indirectly.



The target was set at a time when the country has been witnessing inflation at over 9 percent for nearly two years, forcing people to struggle to keep their heads above water.

Analysts also raised questions about the proper utilisation of the poverty allocation and how it works towards poverty alleviation.

"As a large number of people are still fighting poverty, the allocation should not be cut at all," said Mustafa K Mujeri, executive director at the Institute for Inclusive Finance and Development (InM).

Allocations on paper cannot lead to poverty reduction. Rather, how the funds

are being used for the poor should be highly scrutinised, he said.

"For years, the government has been providing over half of the total allocation to poverty. But we don't see outcomes," he said.

Echoing those sentiments, Prof Selim Raihan, executive director of the South Asian Network on Economic Modeling, said: "If the allocation would work really, no poverty would exist in Bangladesh at all."

According to the "Household Income and Expenditure Survey 2022" of the Bangladesh Bureau of Statistics (BBS), the poverty rate in Bangladesh declined to 18.7 percent and the extreme poverty rate stood at 5.6 percent.

However, the country's think-tanks claimed the persisting higher inflation has pushed many new ones under the poverty line.

Raihan suggested focusing financing into three major channels that could help reduce or eliminate poverty, namely

employment generation, economic growth and social protection.

Apart from that, social spending on education, health and rural development would indirectly contribute to alleviating poverty, he said.

He added that he did not find anything coherent in the allocation for the Anti-Corruption Commission, Planning Commission, Statistics and Informatics Division, Bangladesh Public Service Commission, or Implementation Monitoring and Evaluation Division.

"I don't know how such allocations would help policy-making for poverty reduction," Raihan said.

The government should conduct a sophisticated analysis of the allocation for ministries and properly assess whether those allocations have been working to alleviate poverty over the years, he said.

Asked whether poverty reduction had any connection to the divisions and

ministries, Mujeri said: "Poverty has various dimensions. It is not only limited to people's income."

For example, if good governance can be ensured, it will help poverty reduction.

Additionally, income inequality has been rising in Bangladesh over the years, Mujeri indicated.

According to recent data released by the BBS, Bangladesh's Gini coefficient, the economic measure of equality, stood at 0.499 in 2022, which is alarmingly high.

The Gini coefficient is measured on a scale of 0 to 1. The closer it is to 1, the higher the inequality in society. If it is closer to 0.50, it is considered as manifesting high rates of inequality.

So, the current allocation does not ensure benefits for the poor. It is instead benefitting influential people, he said.

"We are achieving higher growth. But a large part of the poor are still out of the benefits," Mujeri said.

# Ecommerce a path to progress for SMEs in Bangladesh

SALEKEEN IBRAHIM

In general, e-commerce is the exchange of goods and services, and the transmission of funds and data over internet. It is governed by technology and digital platforms, including websites, mobile apps and social media, which make buying and selling more feasible.

Nowadays e-commerce has become a pathfinder for businesses worldwide, including small enterprises in Bangladesh. As Bangladesh evolves technologically, it's critical for small businesses to adapt e-commerce for sustainable growth and progress.

Traditional brick-and-mortar enterprises are restricted by geographical limitations, but e-commerce allows these businesses to reach customers across the country and even globally. This increased reach converts into more prospective customers and higher sales.

In addition, setting up and preserving an online store is often more economical than running a physical store. Overheads such as rent, utilities, and staff wages are significantly condensed. Moreover, digital marketing is generally more affordable and target-oriented than traditional marketing approaches.

In today's world, buyers value convenience over many other concerns. E-commerce offers access to shop anytime and anywhere, making it stress free for customers. This convenience can always lead to improved customer loyalty and repeat business.

E-commerce platforms provide valuable insights about customer behaviour, preferences, and trends through data analytics. This data can help entrepreneurs make seamless decisions, tailor offerings, and improve customer satisfaction.

As businesses grow, scaling up an online store is easier than expanding a physical store. With e-commerce, we can add new products, move into new markets, and handle higher volumes of transactions with minimal capital expenditure.

Interestingly, the e-commerce industry has a significant dependency on logistical support, and this support plays a critical role in ensuring customer satisfaction and business competence. Logistical services include transportation from manufacturer to warehouse, warehousing and order fulfilment, and delivery to end customers.

Customers anticipate fast and dependable delivery services. A true smart logistics system optimises delivery routes and manages inventory competently avoiding over-stocking, offers real-time tracking and timely updates, and ensures products reach customers on time and hassle-free returns.

Smart logistics also leverage technology to reduce transportation and storage costs. By using data analytics, enterprises can optimise inventory levels, reduce wastage, and simplify operations. By optimising routes and merging shipments, smart logistics reduce carbon footprints and help us align with Sustainable Development Goals.

An efficient smart logistics system is flexible to changes in demand and can scale up operations during peak times. This adaptability ensures we handle growth and fluctuations without compromising service quality.

Building a balanced ecosystem between e-commerce and smart logistics is essential for exploiting the benefits of both. First, adopting accurate technology is the foundation of a successful e-commerce and logistics strategy.

Entrepreneurs should invest in a robust e-commerce platform that integrates with a user-friendly smart logistics management system. This combination ensures seamless operations from order placement to delivery. E-commerce should also focus on partnering with local logistics providers who understand the regional market and can offer tailored solutions.

The business operation team should have the necessary skills and knowledge to manage e-commerce and logistics operations. Regular training on new technologies, customer service, and logistics management can enhance overall performance. Continuously monitoring the e-commerce and logistics processes is the key to success. Performance indicators to measure success and identify areas for improvement should be ongoing.

For the sake of small businesses, embracing e-commerce with smart logistics is not just a choice but a necessity for sustainable growth. An effective synergy between e-commerce and smart logistics can pave the way for stable, scalable, and prosperous business ventures in the digital age.



The author is a banker.



Tourists visit the historic Buddhist Temple of Tooth in the central town of Kandy in Sri Lanka on February 7, 2024. The country has been dealing with an economic crisis as it had defaulted on its foreign debt in April 2022 after running out of foreign exchange.

PHOTO: AFP/FILE

## Sri Lanka seals partial debt deal

AFP, Colombo

Cash-strapped Sri Lanka said Wednesday it had clinched a restructuring deal with a majority of bilateral lenders covering up to \$5.8 billion in debt, a key step towards recovery after a 2022 financial crash.

The agreement is hoped to allow Sri Lanka to allocate funds to essential public services and secure concessional financing for development, President Ranil Wickremesinghe's office said in a statement.

The country defaulted on its foreign debt in April 2022 after running out of foreign exchange, and the unprecedented economic crisis forced then president Gotabaya Rajapaksa to step down.

"Sri Lanka reached a final restructuring agreement for \$5.8 billion of debt with its bilateral lenders' Official Creditor Committee (OCC) in Paris, France," the statement read, without giving further details.

The Paris-based OCC includes members France, India and Japan. China, the nation's largest single bilateral lender, is not a member.

But Sri Lanka's junior finance minister Shehan Semasinghe, who is in France for the negotiations, said he hoped to secure a deal with them too.

"We are also in the process of signing bilateral debt treatment agreements between Sri Lanka and Export-Import Bank of China," Semasinghe said on X, formerly Twitter.

The debt restructuring is a condition of a bailout from the International Monetary Fund.

Earlier this month, the IMF provided the latest tranche of \$336 million out of a \$2.9 billion rescue package, designed to help repair Colombo's ruined finances over four years.

REUTERS, London

The debt crisis risk that has overshadowed the global economy for four years is beginning to recede, the Paris Club of rich creditor nations said in its 2023 annual report on Wednesday.

A string of defaults, from Zambia to Sri Lanka, began in 2020 when the Covid-19 pandemic triggered a series of economic shocks that continued into last year with the fallout from Russia's war in Ukraine and rising global interest rates compounding pressure on fragile finances in many poor nations.

Now, the group said the tide is shifting, even as debt restructuring talks loom in countries such as Ukraine and deadly protests erupt in Kenya over tax rises aimed at reigning in government debt.

"The spectre of another major debt crisis is slowly receding," the group said in a report released on the sidelines of its annual meeting in Paris.

"But vigilance remains the order of the day - at a time when many borrowers have significant external repayments falling due, limited fiscal space and large investment needs."

The Paris Club, made of 22 official creditor nations, said the return of Sub-Saharan African countries to Eurobond markets this year, a stabilization in low-income country debt levels and a potential peak in global

# Global debt risks beginning to recede

interest rates gave cause of optimism.

However, several concerns lurk between the lines of the report, including over whether the mechanism used to coordinate debt talks for the world's poorest countries - dubbed the Common Framework - is fit for purpose.

Global ratings agency S&P, in a contribution to the report, also flags concerns over the very African Eurobond debt issuance that the Paris Club points to as a reason for optimism.

**A string of defaults, from Zambia to Sri Lanka, began in 2020 when the Covid-19 pandemic triggered a series of economic shocks that continued into last year**

S&P's Roberto Sifon Arevalo said countries worldwide are expected to issue a "concerning level" of debt close to \$11.5 trillion.

Ukraine, whose financial fate remains precarious after its proposed debt restructuring hit the rocks earlier this month, is mentioned only in a table of the report's 99 pages. The country was not on the agenda for meeting, a Paris Club official said.

The report also touches on the Paris Club's efforts to make debt talks more transparent

- including through its 2023 data-sharing initiative with the World Bank that it said allows the Bank to conduct large-scale reconciliation exercises.

But the World Bank's Manuela Francisco also warned that blurring lines between creditor groups - with more state-controlled lenders charging interest rates above 5% to low-income nations - continued to stress their finances.

China, which has become the largest bilateral lender to a string of low-income nations, has a complicated web of lending via state-controlled entities that the world has struggled to unpick.

Xuan Changneng, deputy governor of People's Bank of China, did not renew Beijing's request that multilateral lenders take losses on their debt, but did urge them to provide more grants and lending with a "deeper level of concessionality."

"They need to show more efforts to help countries in debt distress," he wrote.

The report also said talks were ongoing between Ethiopia and the International Monetary Fund. Official creditors suspended Ethiopia's debt repayments until it reached a deal for a Fund program.

"The Secretariat is hopeful that Ethiopia and the IMF will be able to come to agreement on the terms of a programme over the course of 2024."

## US consumer confidence ticks lower

AFP, Washington

US consumer confidence edged slightly lower in June amid rising concern about current and future business conditions, according to survey data published Tuesday.

The Conference Board's consumer confidence index fell to 100.4, down from a revised figure of 101.3 last month.

The June index was marginally higher than market expectations, according to Briefing.com, but the decline from May signals ongoing concerns about the health of the world's largest economy heading into the November election.

The board's sub-index measuring current business and labor conditions nonetheless increased in June to 141.5, up from a revised figure of 140.8 in May.

"Consumers expressed mixed feelings this month,"

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