

Star BUSINESS



Idra puts 32 insurers in 'high-risk' category

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The insurance regulator has placed 32 companies in "high-risk" category, just days after finalising a draft ordinance that would allow for the restructuring, merger and change in ownership, or even liquidation of troubled insurers.

The Insurance Development and Regulatory Authority (Idra) placed these firms in the category, citing their poor governance and fragile finances.

At a press conference at Idra's headquarters yesterday, Idra Chairman M Aslam Alam announced the classification, though he did not disclose the names of the companies or provide a detailed breakdown of the risks.

He said 15 of the high-risk firms are life insurers, while the remaining 17 operate in the non-life segment.

Of the companies labelled as "high-risk", 15 are in an "unviable" state, while issues facing the "medium-risk" group are seen as "solvable".

However, Alam did not share a similar risk assessment for the non-life firms.

"We have an internal grading system based on specific criteria, on which this classification is based," said the Idra chairman.

The regulator has recently finalised the Insurance Resolution Ordinance 2025, which would give Idra sweeping powers to declare insolvent insurers bankrupt.

Industry insiders say this signals the regulator's own recognition of the sector's deepening vulnerabilities.

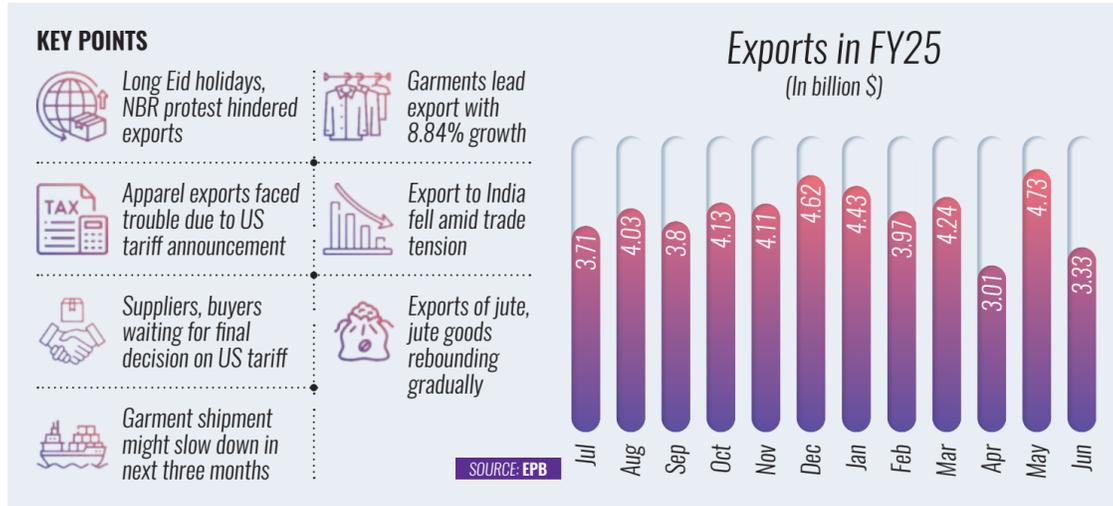
At the press briefing, Alam admitted the insurance industry is facing a crisis.

"The failure to settle claims on time has eroded public trust in the industry. Without transparency and accountability, confidence will not return."

He also acknowledged that Idra itself shares some of the blame for the current fragile credibility.

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Exports rose 8% to \$48b in FY25 despite economic headwinds



REFAYET ULLAH MRIDHA

Bangladesh's merchandise exports grew by 8.58 percent in the just-concluded fiscal year (FY) 2024-25, reaching \$48.28 billion, defying a global economic slowdown, ongoing geopolitical tensions, and domestic instability, according to data released by the Export Promotion Bureau (EPB) yesterday.

"The export could have been much more had there not been long Eid holidays in June during Eid-ul-Azha when production in factories did not take place," EPB Vice-Chairman Md Anwar Hossain told The Daily Star over the phone.

Apart from Eid holidays, he said exports also faced disruptions due to protests by officials of the National Board of Revenue (NBR), which brought customs operations to a standstill for a significant stretch in May and June.

These disruptions, coupled with other hurdles, likely contributed to the 7.55 percent drop in exports in June, which fell to \$3.33 billion compared with the same month last year. Moreover, exports to India fell because of trade tensions between the two neighbours, Hossain also said.

The garment industry, which accounts for nearly 84 percent of national export earnings, drove much of the growth in FY25, despite frequent unrest and factory closures.

Garment exports rose by 8.84 percent year-on-year to \$39.34 billion, with knitwear alone earning \$21.15 billion, marking a 9.73 percent increase. Woven garments brought in \$18.18 billion, up 7.82 percent from the previous

year, EPB data show.

Apart from factory closures and long Eid holidays, the 37 percent reciprocal tariffs announced by the United States on April 2 also spelled trouble for the garments sector.

"The tariff announcement by the Donald Trump administration affected overall merchandise shipments from Bangladesh in the last fiscal year, as exporters, mainly apparel exporters, faced trouble from the sudden tariff blow," said EPB Vice-Chairman Hossain.

Faruque Hassan, former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), echoed similar concerns.

He warned that shipments are likely to slow over the next three months—July, August, and September—as US retailers and brands remain hesitant to confirm new orders. READ MORE ON B3



Lack of bank support stifles SME growth

Salehuddin says

STAR BUSINESS REPORT

Bangladesh's small and medium enterprises (SMEs) are failing to realise their vast potential amid severe funding challenges, as banks remain unwilling to engage with the sector, Finance Adviser Salehuddin Ahmed said yesterday.

"Bankers don't think about SMEs. They prefer giving large loans of Tk 10 crore or more and don't care whether it's recovered. Bankers and policymakers must change this mindset," he said while speaking at the SME Foundation-ERF Media Award ceremony at the Economic Reporters' Forum (ERF) office in Purana Paltan.

The adviser noted that Bangladesh's economic growth still largely depends on the SME sector, which also generates the highest employment. "SMEs are the real backbone of our economy. There are many narratives about Bangladesh's growth, but the foundation is still SMEs."

He also pointed out that the sector's contribution to GDP remains low compared to global peers.

"SMEs contribute only 26 percent to our GDP, whereas in many countries it is as high as 60 percent. People say industries in developed countries are all big, but that's not true. Japan's SMEs are world-famous and even produce luxury items like Rolex watches," Salehuddin said.

Underscoring the need for technological advancement in the sector, he added, "The days of hammer and chisel are over. Though some SMEs have already embraced technology, this needs to grow much further."

He also highlighted the SME sector's potential in empowering women. "SMEs play a major role in creating opportunities for women. Increasing women's participation means not just talking about it but ensuring they have real work opportunities. That is happening through SMEs."

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High interest rates threaten SME jobs, stability

JAGARAN CHAKMA

Small and medium enterprises (SMEs), usually located in rural districts, continue to pay more for bank loans than large corporates, although the authorities often claim to prioritise easy and affordable credit access for these businesses.

Finance Adviser Salehuddin Ahmed said yesterday that SMEs continue to be the "backbone" of the Bangladesh economy and employment.

Official estimates support the

head of small, microfinance and agent banking and deputy managing director at City Bank Limited.

He said SME clients are scattered across regions outside Dhaka, which raises management costs.

According to him, processing charges are also proportionately higher, as smaller loans cannot absorb fees the way large corporate loans can.

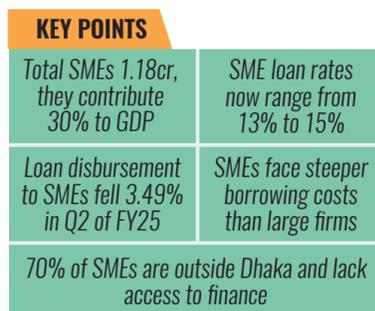
He added that many SMEs avoid visiting branches, creating a need for more personalised service and increasing costs further.

He used to repay Tk 9 lakh per crore each year. With the interest rate rising to 14 percent in the last year, his annual repayment rose to Tk 14 lakh.

"It abruptly increased my quarterly repayment pressure. Now I am struggling with the rising interest rates," said the small manufacturer.

His business has slowed over the past year, and he now fears he may have to lay off workers.

Ajit Kumar Das, who owns a jute textile mill in Narsingdi, said strong demand for eco-friendly jute bags



adviser. More than 1.18 crore SMEs run across the country and contribute about 30 percent to the gross domestic product. These businesses employ around 2.40 crore people, and 70 percent of them are located outside the capital.

Despite this, banks charge SMEs interest rates ranging between 13 and 15 percent, among the highest across all sectors except services.

According to the Bangladesh Bank, the weighted average interest rate for SMEs was 12.49 percent in April this year. In comparison, agriculture faced a rate of 11.98 percent, large industry 12.45 percent, and services 12.75 percent.

Bankers say commercial lenders impose higher rates on SMEs because of increased operational costs.

"SME loan interest rates are usually 1.5 to 2.5 percentage points higher than corporate loans due to higher operational costs," said Kamrul Mehedi,

Arief Hossain Khan, spokesperson of the Bangladesh Bank, acknowledged that SME loans carry higher interest rates than other term loans because of the operational expenses.

Still, he said the central bank encourages commercial banks to bring down these rates.

Kazi Iqbal, senior research fellow at the Bangladesh Institute of Development Studies (BIDS), said SME loans are costlier to handle and come with more risk, leading to higher charges.

BURDEN OF RISING RATES
Md Oli Ullah, who runs an agricultural machinery workshop in the southwestern district of Chuadanga, employs 100 workers at his Janata Engineering factory. The factory makes corn threshers and mustard oil extraction machines.

Ullah took a Tk 5 crore cash credit (CC) loan from Agrani Bank in 2020 at 9 percent interest.

has helped him sustain his business. However, he said higher interest rates have eroded his profit margins.

Both entrepreneurs said that higher borrowing costs amid economic uncertainty threaten jobs and business stability.

Official data support this concern.

The disbursement of loans to cottage, micro, small and medium enterprises (CMSMEs) declined by 3.49 percent year-on-year in the October to December quarter of FY2024-25.

Banks disbursed Tk 62,581 crore during the quarter, down from Tk 64,842 crore in the same period of the previous fiscal year, according to the Bangladesh Bank.

CHALLENGES IN LENDING
Bankers say loan recovery rates from SMEs are as high as 99 percent. Despite that, many commercial lenders are reluctant to lend to them.

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Taskforce proposes semiconductor fund for design and testing

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The national semiconductor taskforce has recommended creating a dedicated "semiconductor fund" under the ICT Division or the Bangladesh Bank to support new ventures through venture capital or term financing.

The recommendation was part of a series of short-term (2025-26) proposals submitted to the chief adviser on July 1 by Chowdhury Ashik Mahmud Bin Harun, executive chairman of the Bangladesh Investment Development Authority and Bangladesh Economic Zones Authority, according to a press release.

Among the short-term priorities, the taskforce proposed launching a virtual knowledge portal offering tiered certification aligned with global standards, setting up industry-grade training labs in at least five institutions by 2027, and creating shared cleanrooms for chip packaging and testing.

It also called for practical training for engineers through rotation-based on-site programmes, rolling out certification through select universities, and implementing targeted tax and import policy measures with clear policy guardrails.

The taskforce also called for practical training for engineers through rotation-based on-site programmes

Formed on January 1, 2025, the 13-member taskforce includes representatives from the government, private sector, academia, and the non-resident Bangladeshi community.

It was tasked with identifying capability gaps and outlining a phased roadmap for Bangladesh's entry into the semiconductor sector.

In its findings, the taskforce recommended prioritising chip design, testing, and packaging in the short and medium terms, citing the capital-intensive nature of fabrication.

The roadmap focuses on three pillars: skills development, business and policy support, and global partnerships. Long-term strategies include engaging NRIs in investment and training, and forming strategic G2G partnerships for technical cooperation and knowledge transfer.

"The roadmap offers Bangladesh a clear, feasible route to join the global chip design and testing scene," said Chowdhury.

"With focused interventions, this could be a turning point in transforming Bangladesh into a technology-driven economy," he added.

Professor Yunus lauded the taskforce's efforts and stressed the need for international collaboration and talent development to implement the roadmap effectively.

The Chief Adviser's Office will form dedicated working groups to oversee implementation, as Bangladesh eyes a competitive role in the evolving global semiconductor supply chain.