

# Enhance light engineering capacity to diversify exports: experts

## LIGHT ENGINEERING SECTOR AT A GLANCE

- \$12.56b export potential by 2030
- 80,000 light engineering units in Bangladesh
- \$8b estimated size of domestic market
- 28% annual growth rate of the sector
- \$300-800m current annual export earnings (last eight years)
- 10 lakh workers engaged in the sector



## GROWTH DRIVERS

- Low-cost labour
- Technology adoption
- Infrastructure development
- Increasing access to int'l markets

## CHALLENGES

Skills gap	Technology lag	Training mismatch	Need for R&D facilities	Weak standards and certification
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## Key point

In FY24, Bangladesh exported \$487m from light engineering sector

## STAR BUSINESS REPORT

Bangladesh needs to strengthen local capacity, enhance value addition, and develop backward linkages in agricultural machinery, automobiles, and light engineering to ensure sustainable growth and diversify its export base, according to experts and industry leaders.

They also urged facilitating more local and foreign investments, citing that appropriate policy support was essential for reducing reliance on imports.

"Although Bangladesh has immense potential in the light engineering, agro-machinery, and automobile sectors, its trade basket remains heavily concentrated on readymade garments (RMG)," said M Masrur Reaz, chairman of the Policy Exchange of Bangladesh.

Reaz made his remarks at the inaugural ceremony of the "Road to Made in Bangladesh and Agro Machinery Fair 2025" in the capital's Tejgaon.

The Bangladesh Chamber of Industries (BCI), with support from the Bangladesh Automobiles Assemblers and Manufacturers Association and the Agricultural Machinery Manufacturers Association Bangladesh, organised the two-day fair at the BCI office.

Bangladesh's light engineering sector has the potential to generate \$12.56 billion in export earnings by 2030, according to the Policy Exchange of Bangladesh.

The country is home to about 80,000 micro, small, and medium light

engineering units, with a domestic market valued at around \$8 billion and an annual growth rate of nearly 28 percent, said Reaz.

The annual export earnings have hovered between \$300 and \$800 million in the last eight years. However, Bangladesh exported \$487 million worth of goods from the light engineering sector in FY24, he said in a presentation.

There are some growth drivers for light engineering in Bangladesh, including low-cost labour and adoption of technology. Around 10 lakh low-cost labourers are involved, and high domestic and external demand will work as a growth driver, he said.

Reaz said local manufacturers currently meet only 20 percent of the demand for agricultural machinery in the country, with the rest being imported.

He warned that the agricultural workforce, once the largest, fell behind the service sector in 2020, posing risks to food security.

Post-harvest losses account for 40 to 45 percent of crops due to poor handling and storage, he noted, adding that agricultural machinery can improve efficiency by reducing seed, fertiliser, and water use.

Speaking as the chief guest, Industries Adviser Adilur Rahman Khan said the national industrial policy has prioritised three sectors—automobiles, agricultural machinery, and light engineering.

These sectors are playing a very important role in developing productive industries, diversifying exports, and

creating employment," he said.

"Agro-mechanisation is strengthening national food security, while the automobile industry is modernising transportation and energising the economy," he added.

The government has already taken effective measures to support these sectors through policy incentives, tax benefits, and infrastructure development, he added.

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BCI President Anwar Ul Alam Chowdhury (Parvez) said Bangladesh must tap into the large automobile market and diversify exports beyond readymade garments ahead of the nation's least developed country (LDC) status graduation.

He noted that the economy relies heavily on remittances, RMG, and agriculture, where growth is limited, and for which it was crucial to build up alternative sectors.

"Although money laundering has been curbed to some extent, private sector growth remains sluggish while unemployment is rising rapidly," he observed.

"RMG alone cannot sustain our

economic ambitions; the future lies in manufacturing, particularly in light engineering," he added, stressing the need for strong policy support and government incentives.

He also underscored the importance of industry academia collaboration in the era of artificial intelligence and automation and called for expanding capacity in automobile and agricultural machinery production to ensure economic sustainability.

Hafizur Rahman Khan, president of the Bangladesh Automobiles Assemblers and Manufacturers Association, emphasised the need to identify sectoral challenges and address them through business-to-business meetings.

M Abu Eusuf, executive director of the Research and Policy Integration for Development, said Bangladesh lagged behind in export and economic diversification, even though RMG was thriving due to strong compliance.

He added that developing backward linkages could cut import dependency. He emphasised the need for foreign direct investment, policy support, and better ease of doing business to leverage the domestic market.

Alimul Ahsan Chowdhury, president of the Association of Agricultural Machinery Manufacturers, said food security was dependent on agricultural machinery. He called for easier access to the Bangladesh Bank's small and medium enterprise refinancing scheme.

## NBFI crisis locks up

One retired private-sector employee said he has Tk 80 lakh with Aviva. With heart problems and other age-related ailments, the 65-year-old wants to cash out for medical costs, but cannot because of the company's crisis.

The Daily Star sought comment from Mohammad Modasser Hasan, managing director and chief executive of Aviva Finance, by phone and text. But he was not available.

Demanding the return of their savings, depositors of Peoples Leasing held a press conference at the Jatiya Press Club in Dhaka last week.

They said many retirees depend on the funds to run their households, pay for treatment and cover their children's education.

They said at least 35 depositors have died so far while waiting for their money.

Ahsan H Mansur, governor of the central bank, recently told The Daily Star that the government has given its approval in principle to liquidate the said NBFI. The process, to be carried out under the Finance Company Act 2023, may begin soon.

However, the Bangladesh Bank (BB) has yet to issue guidelines on how the liquidations will proceed or how depositors will be reimbursed.

A central bank document shows that Tk 15,370 crore of deposits from individuals and institutions are locked in those nine NBFI.

Of it, Tk 3,525 crore belongs to individuals and Tk 11,845 crore to banks and corporate depositors.

Among individuals, the largest sum, Tk 1,405 crore, is stuck with People's Leasing, followed by Tk 809 crore at Aviva Finance, Tk 645 crore at International Leasing, Tk 328 crore at Prime Finance and Tk 105 crore at FAS Finance, as per BB data.

Industry people say the NBFI sector has long been mired in scams and irregularities. They blame lax oversight, noting that the central bank did not supervise non-banks as closely as banks.

As of March this year, non-performing loans at 35 NBFI stood

at Tk 27,189 crore, or 35.32 percent of total outstanding loans of Tk 76,987 crore, according to central bank data.

Meanwhile, other NBFI say that the liquidation move is eroding confidence across the sector.

"We are facing serious difficulties due to the decision to liquidate several NBFI, because our clients are now losing trust in us," said Mustafizur Rahman, managing director of Midas Finance.

"Before taking such decisions, there should have been discussions with all stakeholders in the sector."

He said the sector wants some form of cash or liquidity support.

"Right now, our three major sources -- depositors, bank borrowings, and our own collections -- are all severely affected. Among these, bank borrowings have completely stopped, and depositors have lost confidence as well."

"Given the current market situation, even our large clients are struggling to make repayments properly, which has pushed us into a liquidity crisis," added the MD.

He said, "Therefore, we believe that the central bank should provide us with some form of liquidity support, based on our position and cash flow. This support could be similar to the financing or funding we used to get from banks, something like term lending. We are willing to repay it over the long term, along with interest."

Anis Khan, former managing director of Mutual Trust Bank and former chairman of the Association of Bankers, Bangladesh, told The Daily Star that apart from a handful, most non-bank financial institutions are in trouble.

He said vested interests were using these companies, and insider lending was one of the main reasons for their decline.

"There is a need for dialogue on the sector, where stakeholders, industry representatives, central bankers, and senior commercial bankers should be present," Khan said.

He believes recommendations from such talks could help rescue the sector.

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The new administration generally followed the budget recommendations and implementation procedures of the prior one, while also initiating significant reforms to improve fiscal transparency.

The report said the prior government made its executive budget proposal and enacted budget publicly available, including online.

"It did not make its end-of-year report publicly available within a reasonable period."

The report, however, noted that budget information was considered generally reliable, although documents were not internationally accepted principles. Information on debt obligations was publicly available.

"Budget documents provided a reasonably complete picture of the government's planned expenditures and revenue, including natural resource revenues. However, the government did not break down expenditures to support executive offices, nor did the budget provide a substantially complete picture of the government's revenues and expenditures."

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## US flags fiscal transparency

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