Small manufacturers struggle as sales dry up

Rising costs, weak demand and costly loans threaten businesses and jobs

JAGARAN CHAKMA



A leather goods shop in Hazaribagh displays shoes, bags and belts as small manufacturers struggle with weak consumer demand, rising production costs and expensive loans, threatening businesses and millions of workers' livelihoods. The photo was taken recently.

PHOTO: COLLECTED

Forida Yesmin Bithi has a factory employing 14-15 workers, machinery capable of producing goods worth Tk 12 lakh a month, and customers in overseas markets. Yet, last month, her leather goods business generated less than Tk 1 lakh in sales, against monthly expenses of Tk 1.5 lakh to Tk 2 lakh.

Bithi is one of many small manufacturers across Bangladesh struggling to keep up as orders run dry, production costs rise, and borrowing becomes more expensive. Some are accumulating losses, while others are considering layoffs or struggling to pay workers on time.

Their difficulties reflect wider pressures on the country's small and medium enterprises, where weak consumer demand, high inflation and limited access to affordable finance are threatening businesses and livelihoods.

Bithi started her Dhaka-based business in 2020 with Tk 3 lakh, two machines and one assistant. Her company now sells products in Malaysia and Italy through export intermediaries. But declining orders, particularly from corporate clients, have pushed the business into losses.

"Last month, our sales did not even reach Tk 1 lakh, while the monthly expenses for the factory and showroom stand at around Tk 1.5 lakh to Tk 2 lakh," she said.

The shortfall has made it difficult to pay workers' salaries and loan instalments. Bithi took a Tk 10 lakh loan from Shahjalal Islami Bank for five years, with monthly instalments of Tk 19,000 to Tk 20,000. She has also borrowed elsewhere to cover operating costs.

Much of her factory's monthly production capacity now remains unused.

For Golam Morsalin, managing partner of Collagen Bangladesh, rising input costs and unreliable electricity supply have squeezed margins and disrupted production.

Power cuts lasting three to four hours, two to three days a week, regularly interrupt manufacturing and affect colour matching, which requires natural daylight.

A stronger US dollar and higher electricity tariffs have raised raw material and production costs, while selling prices have remained largely unchanged.

"We are spending more but producing less, while selling prices have not increased accordingly," he said.

The business, which previously earned around Tk 15 for every Tk 100 in sales, now loses about Tk 10. Over the past three months, it has accumulated losses of nearly Tk 1.6 crore, while monthly revenue has fallen from around Tk 10 lakh to Tk 8 lakh. Morsalin is considering laying off three to four of his 14 workers.

Weak consumer spending has also hit Ashit Chowdhury, a Rangpur-based jute products manufacturer operating under the brand Apon.

"In 2023, our monthly sales averaged Tk 12 lakh to Tk 15 lakh, depending on the season. But last year, they fell to around Tk 7 lakh, and there has been little improvement since," he said.

M Masrur Reaz, chairman and CEO of Policy Exchange Bangladesh, said high inflation has raised operating costs and eroded purchasing power, while higher interest rates have made borrowing more expensive

Ashit's business produces shataranji, bags and decorative items. Despite the downturn, he has no plans to lay off his 70 workers. However, he owes Tk 60 lakh to BRAC Bank and BASIC Bank, with monthly instalments of Tk 1.30 lakh, and sometimes struggles to pay salaries on time.

For Paritos Kumar Malo, proprietor of Faridpur-based RK Metal, the slowdown in government projects and agricultural supply programmes has sharply reduced orders for agricultural machinery.

"Business is almost nonexistent. Tenders have stopped, several projects have stalled, and government supplies have dried up. Whatever little business remains is barely enough to get by," he said.

Paritos has outstanding loans with Sonali, Rupali and Prime banks, with monthly instalments ranging from Tk 1 lakh to Tk 1.5 lakh. He often struggles to make payments on time.

M Masrur Reaz, chairman and CEO of Policy Exchange Bangladesh, said the difficulties reflected structural weaknesses in the small and medium enterprise (SME) sector. SMEs contribute around 25 percent of GDP in Bangladesh, compared with 50 percent in many economies and 70-80 percent in some industrialised countries, he said.

The sector has faced mounting pressure since macroeconomic difficulties emerged in 2022-23. High inflation has raised operating costs and eroded purchasing power, while higher interest rates have made borrowing more expensive.

Rising non-performing loans have also made banks increasingly cautious about lending to smaller businesses.

"Financial institutions already considered lending to small businesses relatively risky. With the deterioration in the overall economic environment, their perceived risk has increased further, making access to finance even more difficult," Masrur said.

Regulatory barriers also discourage micro and cottage businesses from entering the formal economy, limiting access to institutional finance. Stronger links with large corporations and exporters could help smaller firms secure orders and integrate into wider supply chains, he added.

According to the SME Foundation, cottage, micro, small and medium enterprises (CMSMEs) contribute around 30 percent to the economy.

The Economic Census 2024 shows they account for nearly 99 percent of industrial establishments and around 85 percent of industrial employment, providing jobs to more than 3 crore people.

Md Nazeem Hassan Satter, managing director (additional charge) of the SME Foundation, said the organisation was concerned about the difficulties facing entrepreneurs.

Guarding the corporate purse against related party deals

SNEHASISH BARUA

In financial markets, trust is the primary currency. When everyday citizens invest their savings in a listed company, they trust the money will be used to grow the business and generate fair returns. Historically, however, corporate funds have rarely been siphoned off through midnight theft. Instead, money most often leaves companies in broad daylight through seemingly normal arrangements known as related party transactions (RPTs).

An RPT occurs whenever a company does business with its directors, major shareholders or their families, such as buying from a sister concern or lending to an affiliate. Many are genuine, but all carry a conflict of interest. Unchecked, assets can be bought at inflated prices or sold too cheaply, moving wealth into private hands while public shareholders bear the loss. Recognising this risk, the Bangladesh Securities and Exchange Commission (BSEC) has made RPT oversight central to its draft Corporate Governance Rules, 2026. This welcome, proactive initiative invites public suggestions to make the safeguards watertight.

Rule 21 proposes a three-step review: the audit committee recommends, the board approves, and shareholders decide at a general meeting if most directors are interested. This creates clear accountability, but several details need strengthening to close loopholes. First, approval should come before the deal.

Rule 21 asks companies to place RPTs "periodically before the audit committee", usually months after a contract is executed and paid. Review after the fact turns oversight into a post-mortem. The rules should require prior audit committee and board approval, with annual "omnibus approvals" for routine supplies.



The draft corporate governance rules need stronger safeguards to prevent related party deals from diverting company funds at the expense of shareholders

Second, the rules need clear thresholds. A material RPT should be defined as exceeding 1 percent of tangible assets or 10 percent of turnover, with all contracts with one entity aggregated. Otherwise, a Tk 100 crore contract could be split into ten Tk 10 crore deals to bypass oversight.

Third, funds go to counterparties that appear unconnected because no director or sponsor is named on paper. A mandatory ultimate beneficial ownership register, proposed in pending amendments to the Companies Act, 1994, would help boards and regulators identify the natural persons in control.

Fourth, setting a fair price is hard without open bidding, so material deals should require an independent valuation or fairness opinion as an objective benchmark. Fifth, shareholders should vote on all material deals. The draft sends an RPT to them only if most directors are interested, so a contract involving significant company assets could bypass them if only two of six are interested.

Sixth, interested shareholders should be barred from voting. Founding sponsors often own 40 to 60 percent of shares, so approval is practically guaranteed if they can vote. Any director, sponsor or investor with a stake should be excluded, leaving independent and minority shareholders to decide. A BSEC notification of March 22, 2021, already set the 1 percent and 10 percent thresholds, required shareholder approval and barred interested parties from voting. If the 2026 rules are published as drafted, companies might argue they relax that directive, so the final rules should preserve these principles.

Regional markets already do this. India requires prior audit committee approval and bars related parties from voting on deals above 10 percent of turnover, while Malaysia and Sri Lanka require fairness opinions and votes by non-interested shareholders. Closing these gaps will not hinder business; it will give ethical enterprises a clear framework and investors genuine confidence. Sound governance transforms our capital market into an attractive, resilient home for long-term investment.

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Many AI companies will adopt advertising

Says ad agency Criteo

AFP, *Lisbon*

Many AI platforms will end up eventually adopting advertising, the head of the online advertising agency Criteo told AFP Tuesday, as investors are focused on whether the technology will ever be profitable.

"I believe that a lot of AI platforms will find their way to advertising models over time," said the group's chief executive Michael Komasinski on the sidelines of the Web Summit in Lisbon.

"Advertising is the most scalable business model in the world. It has paid for most of the large platforms that we all use and enjoy today, whether it's Google, Meta, Snapchat.

"The ad formats will continue to become more interesting, more innovative, and certainly more native to that conversational experience," he added.

Pressure to boost revenue to cover its colossal spending pushed OpenAI to begin testing advertising in ChatGPT in February in the United States for free and low-cost tier subscriptions.

It has subsequently begun to progressively roll out ads worldwide, in cooperation with Criteo.

OpenAI's rival Anthropic, which is set to imminently go public with a stock listing, has said it doesn't plan to integrate advertising in its AI tools due to data protection concerns as well as to protect the interests of its users.

Square Pharma, Square Textiles post higher profits in Jul-Sept

STAR BUSINESS REPORT

Square Pharmaceuticals and Square Textiles, both Square Group entities, reported higher profits on revenue growth in the July-September quarter.

Square Pharmaceuticals' profit for the July-September quarter of 2026 rose 5 percent year-on-year to Tk 778 crore, according to its financial statements.

It posted a net revenue of Tk 2,244 crore for the quarter, a 4 percent year-on-year rise.

Its earnings per share (EPS), which shows the profit attributable to each share, was Tk 8.77 for July-September, against Tk 8.35 for the same period the previous year.

Square Pharmaceuticals' net operating cash flow per share (NOCFPS), which shows the cash generated from day-to-day operations for each share, declined to Tk 5.49 for July-September compared to Tk 7.55 for the same quarter of last year.

In a disclosure on the Dhaka Stock Exchange (DSE) website yesterday, Square Pharmaceuticals said the decline in NOCFPS was mainly because cash costs grew much faster than collections from customers.

Specifically, payments to suppliers and for manufacturing and operating expenses grew at a much faster pace than receipts from customers. Higher income tax payments further reduced net operating cash flow, the company said.

Square Textiles' profit for the July-September quarter rose 28 percent to Tk 42.83 crore, according to its financial statement.

It had posted a revenue of Tk 669 crore for the period, a 10 percent year-on-year rise.

Its EPS was Tk 2.17 for July-September 2026, against Tk 1.69 for July-September 2025. The company said in a disclosure on the DSE that EPS increased because of a rise in yarn prices.

Square Textiles' NOCFPS was negative Tk 3.66 for July-September 2026, against negative Tk 0.90 for the same period last year. A negative figure means the company spent more cash on operations than it generated.

Shares of Square Pharmaceuticals declined 0.27 percent to Tk 218.7 as of 12:39 pm on the DSE.

Square Textiles' share increased 3.20 percent to Tk 54.90 as of 11:57 am yesterday.

War to cost Gulf over $200b in damage, $790b losses until 2030: insurer

AFP, *Dubai*

The US-Iran war will cost Gulf countries more than $200 billion in damage and economic losses could reach nearly four times that amount by 2030, insurer Allianz Trade said on Wednesday.

Gulf countries bore the brunt of Tehran's wrath after the United States and Israel launched attacks on Iran on February 28, triggering the war.

In retaliation, Iran restricted shipping in the key strait of Hormuz and struck civilian infrastructure including airports, seaports, energy facilities, landmarks and American assets in the US-allied countries.

"Physical damage across the region is assessed just above $200bn, mostly concentrated in Hormuz-locked economies, especially in energy infrastructure," the insurer said in a report.

More than 80 energy facilities were hit in the war, mostly in Kuwait, Qatar and Bahrain, the report said, with a third of them "severely damaged".

Beyond physical damage to energy infrastructure, the war has affected other sectors like tourism and real estate, which will see slower growth over the years.

"The total cost of the war for the GCC is set to reach $790bn, a cumulative gap of 5.9 percent of GDP relative to the pre-war trend through 2030," the report said.

"This reflects the cumulative loss of economic output over 2026-30, the difference between what the region was forecast to produce on its pre war-growth trend and what it is now projected to produce post-war," it said.

