

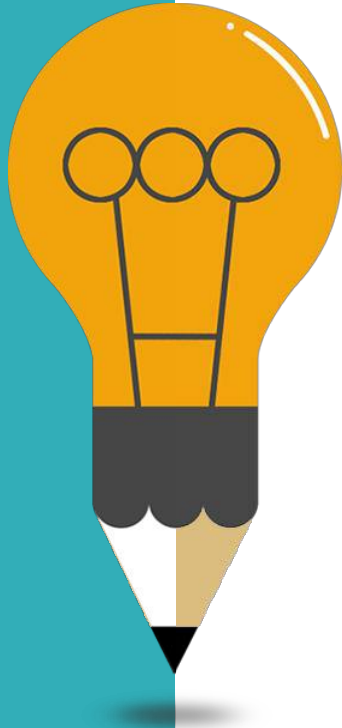
PROBLEMS & PROSPECTS OF MICRO / SMALL MANUFACTURING INDUSTRIES

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BANGLADESH CHAMBER OF INDUSTRIES (BCI)

Agenda



01

A brief profile of the micro / small industries

02

Challenges

03

Recommendations

04

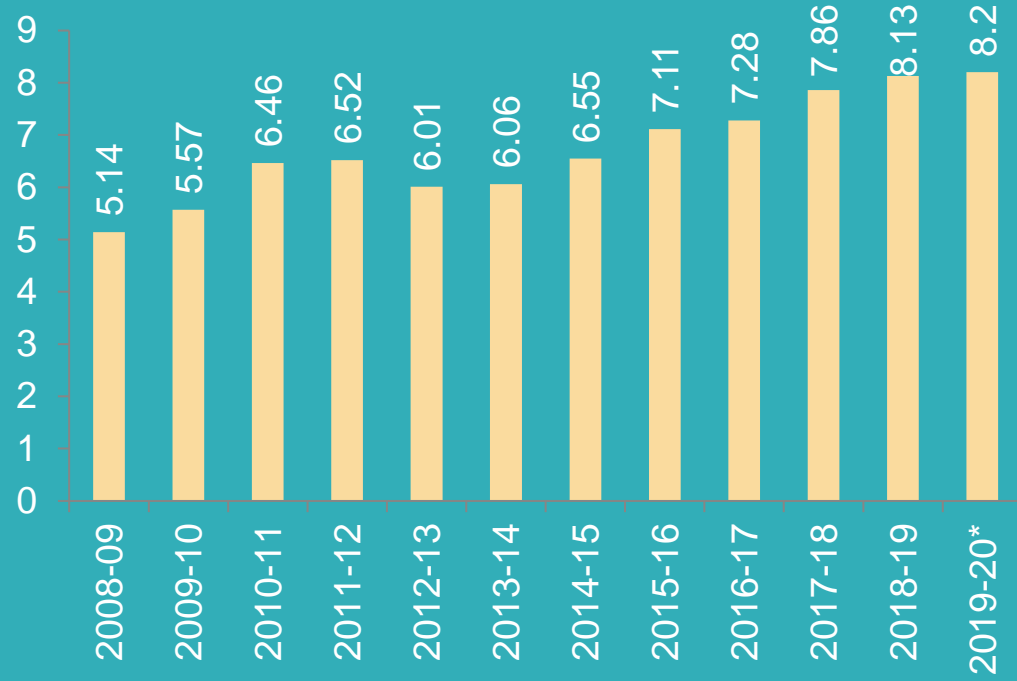
Supports needed

BANGLADESH ECONOMY STANDING STRONG

Fulfilled all the criteria to be a Middle Income Country

Parameters	2009	2019
Per capita income (USD)	676	1909
Population under poverty line	40%	21.8%
Literacy Rate	55.5%	72.8%
GDP growth	5.14%	8.13%
Inward remittance (USD)	9.69 billion	16.42 billion
Export (USD)	15.57 billion	40.54 billion
FDI (USD)	960 million	3 billion
Forex Reserve (US\$)	7.47 billion	32.53 billion
Electricity Gen. Capacity	4942 MW	22562 MW
Average life expectancy	67.2 years	72 years
Crop production	347.10 lacs MT	444 lacs MT

GDP GROWTH AND FORECAST (%)





17.31%

in FY1980-81



35.14%

in FY2018-19

Share of Industry to GDP Growth

1st PHASE OF ECONOMY:
Transformation from agriculture to industry

Bangladesh had a robust growth in last 10 years.
Growth is necessary but not sufficient for economic development.

DOES IT MEAN EVERYTHING?

IF SO, WHY EQUALITY IN INCOME AND DISTRIBUTION OF ECONOMIC
GROWTH ARE NOT SEEN ACROSS BANGLADESH?

It is time for us, the business leaders, to take responsibilities to support our
Government to formulate polices to diversify and decentralize our economic
growth and make it more inclusive.



Challenges

01

Higher growth, fewer job

02

Shortage of skilled manpower & professional

03

Inequality of income

04


Distribution of economy growth across the country

05


Shortage of industrial infrastructure

Higher Growth, Fewer Jobs!!!

Slow employment generation



Youth unemployment rate 12.3% and growing at 29.8%. For long term unemployment rate 1 year & above 15.2% (Male: 13.7%, Female: 16.7%).



Unemployment rate from SSC to Bachelor Degree 33%. But they don't have any technical or vocational training.


1

2

3

4

5




Total employment in 2018 was 6.44 cr and out of that unorganized sector was 3.73 cr.

Total unemployment 26.77 lac




Graduate unemployment rate 11.2%. HSC unemployment rate 14.9%. SSC unemployment rate 4.6%. Below SSC unemployment rate 2.7%.



Higher Growth, Fewer Jobs!!!

Slow employment generation



Agriculture declined to 25 million in 2018 from 26.2 million in 2010



Industry sector increased to 13.1 mil in 2018 from 12.1 mil in 2010.

6


7

8

9



Every year 2.2 million people are coming in the job market increase at a rate of 3.1% every year but only 1.6 million was employed in 2018.

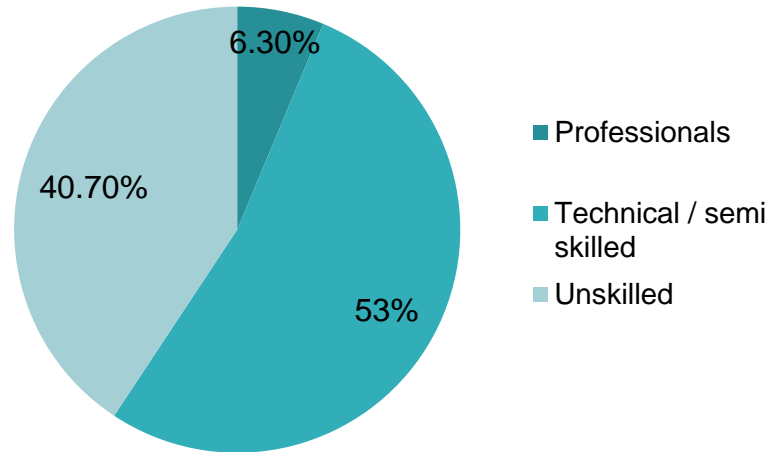


Service sector increased to 23.8 mil in 2018 from 19.8 mil in 2010.

Shortage of Skilled Manpower & Professional

Government target to create job 15 million by 2023.

In the age group of 25-54 years, 82% are in job. Out of this -



Distribution of Economic Growth Across the Country

35 million live in Urban area and if it continues like that it would be 80 million by 2030

31.9% of urban population live in Dhaka, if it continues by 2035 population will be 31.2 million.

Two cities Dhaka & Chattagram are contributing 37.7% and 19.3% of GDP.

80% manufacturing are in these two cities.
Total industries across the countries are 27,000

Total manufacturing sector industry No. 46,291 (Micro: 16,689, Small: 23,557) out of that 85% are Micro and Small & 15% medium and Large.

In employment total 58,79,844 (in manufacturing), out of that –

- Micro industries are engaged 4.48%
- Small industries are engaged 19.18%
- Medium industries are engaged 2.8%
- Big industries are engaged 68.54%

Threats

01

If sea level rises by 65 cm by 2050 then country will lose 40% agricultural land

02

75% of our exports enjoy duty free market access being LDC, which will be withdrawn in 2024. For Europe 2027.

03

Multilateral loans will be costlier & development assistance may be limited.

04

EU-Vietnam FTA will completely eliminate duties in EU in 8 years. 10.96% export will get duty free in first year.

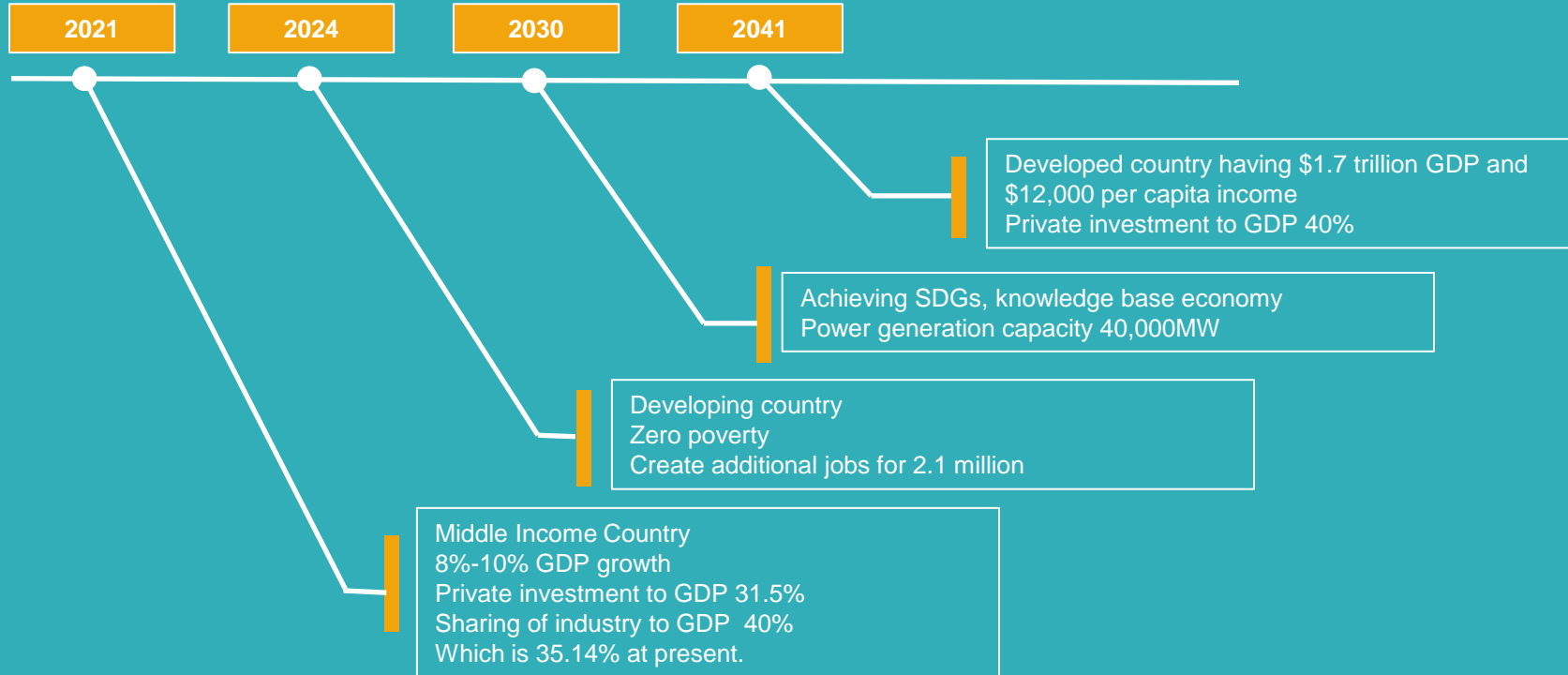
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Diversification of export items & markets. Standard of Bangladeshi products.

06

As per WEF by 2030 around 800 million will lose jobs worldwide due to 4IR, and Bangladesh may face 5.7 million job cut. In Global Innovation Index, Bangladesh is placed 116 out of 129 countries.

Bangladesh's Visions Under the Leadership of Honorable Prime Minister Sheikh Hasina



Available resources

01

163 million Population

02

76% Population are below 40 years of age

03

Population in 15-30 years age group is 5 crore

04

By 2030 youth age group (18-35 years) will be 60 million will be better educated more connected & proficient with technology.

05

Working group are quick learner

06

We are not saver but spender

07

Land is fertile

08

EZ 100 under progress

09

Electricity capacity 22562 MW



Area of Opportunities

Let's See Area of Opportunities Ahead for Bangladesh

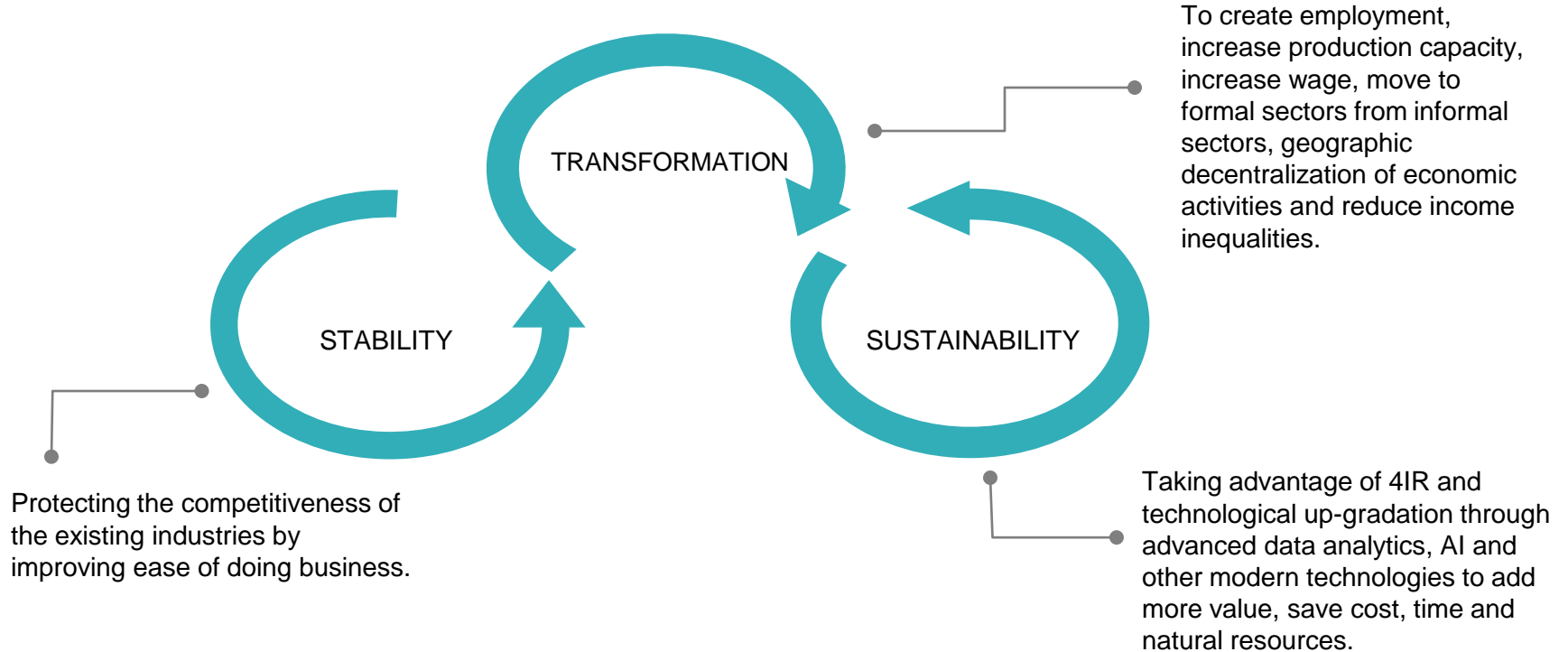
1	2	3	4	5	6
Light engineering	Agriculture	Leather goods	Halal goods	Blue Ocean	IT Sector
Global market \$7 trillion	13.6% of our GDP, 41% of employment	Global market \$240 billion Local Market size \$ 1.90 billion, Employment 6 lac & 99.5% are unskilled	Global market in 2016 was \$2.7 trillion, will reach \$10.51 trillion by 2024	Indian oceans is worth \$ 25 trillion	By 2025 only in Asian countries internet market size would be \$240 billion
Bangladesh's export \$319.4 mil in FY2018-19	Employment declined to 25 mil in 2018 from 26.2 million in 2010	China holds 50% of shoes market, i.e. 2,300 crore pair. Bangladesh exported only 37.80 crore pair. 84 countries export approx. \$ 1.19 billion.	Bangladesh's share is insignificant.	Countries bordering the Indian ocean extracted \$2.5 tril resources, where Bangladesh having 668 KM of sea area and earning only \$5 billion.	By 2021 ICT sector will create Job 1 million and target of export \$ 5 billion.

Bangladesh has tremendous opportunities to keep growing. BCI as an industry trade body across the country and actively involved in the development of new entrepreneurs, capacity build-up of micro and small industries are certainly playing a vital role to build our nation. We should follow the Japan, China model who are the industrialized nations where SMEs are contributing 75-80% on GDP as well as jobs. But in Bangladesh SMEs are contributing only 52-55% on our GDP and generating 45-48% employment. If we do follow their path Bangladesh Insha-Allah will be able to reach the target set by the government.

**“With that in mind today we will try to focus
WAY FORWARD”**



Way Forward



“

There are around one million SMEs in the country that could employ at least one million unemployed people every year.

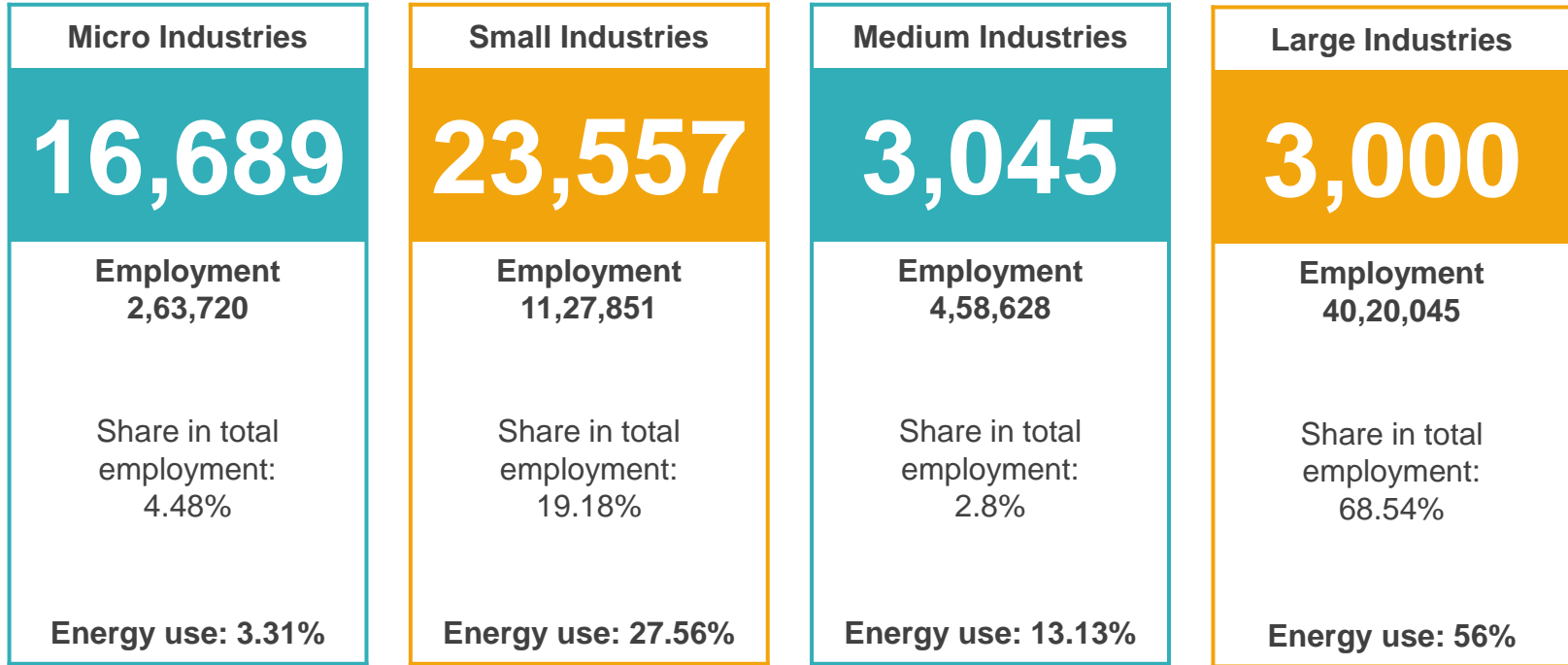
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Sheikh Hasina
Honorable Prime Minister

MSMEs Scenario

- (1) Total number of Factories: 46291 units
- (2) 85% are Micro & Small Enterprise.



Transformation

Transformation is obvious and BCI would like to focus on two sectors –

- (1) Light Engineering industry and**
- (2) Argo Processing Industry.**

Light Engineering

Global
market

\$7
trillion

BD's
Export

\$319.4
million

Domestic
market

\$8.2
Billion

(we are catering only \$3.1 billion)

Number of
Industries

40,000

Employment

1
Million

- 86.7% of the workers are unskilled.
- Only car assembly plants employ 50,000 people of whom 85% are unskilled.

Light Engineering

Types of machines and spare parts manufactured

10,000

Automotive market size

\$600
Million

(Almost all spare parts are imported.)

Motor Cycle

\$ 476
Million

(60% growth /year. 98% spare parts imported)

Export products

Agricultural machinery, Engineering equipment, Bi-Cycle, Stone Crusher machine, Construction machines.

GOVT. HAS DECLARED IT AS THRUST SECTOR. VAT & TAX EXEMPTED, 15% CASH INCENTIVE

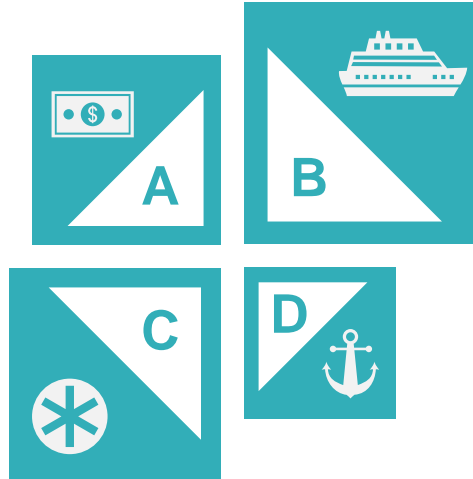
Challenges

Cost of fund

Too high, around 18%-22%

Environment effect

Global gas discharge and environment effect in Bangladesh contribute only 0.3% but because of global warming the sea water level will increase 2 meters by 2050 and 7 crore people will be under threat in Bangladesh. Black carbon presence in Air is 65 micro gram per cubic meter in Dhaka resulting 10.8% population died by air pollution.



Logistics & infrastructure

Average truck speed in highway is 19 km/hour.

Transport cost of per ton/km comes 12 cents whereas in India 2.4 cents, Pakistan 2 cents.

Dhaka airport's handling charges is more high than Singapore.

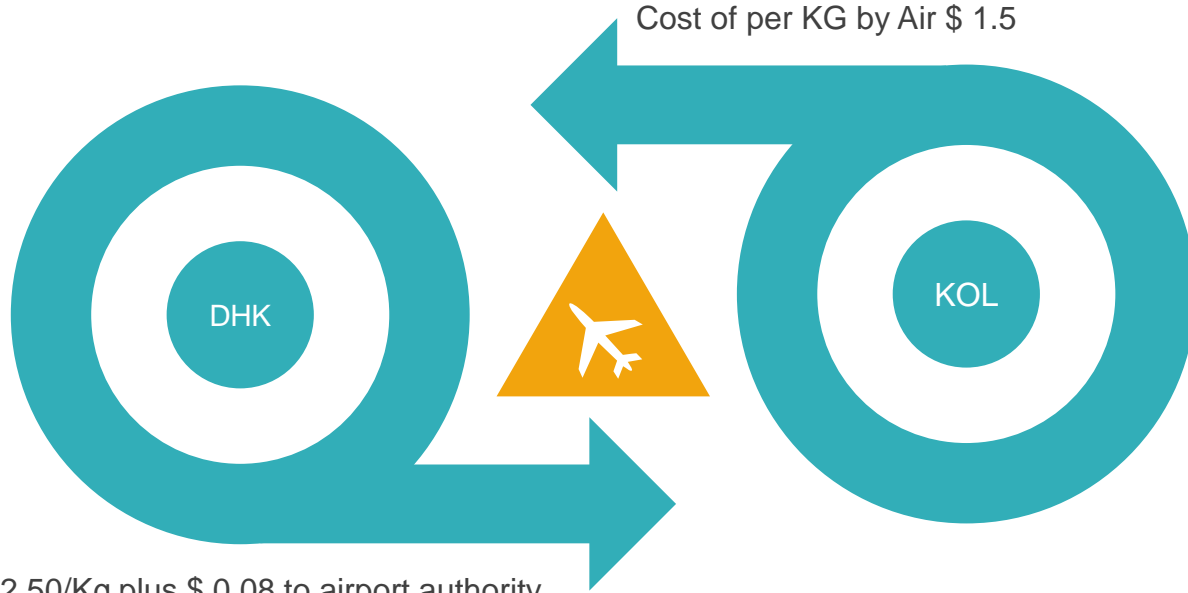
Per sq. meter rent in BEZA is \$ 38.00/year.

Customs

Export against T.T is not eligible for cash incentive. To obtain cash incentive need to export L/C. Previously small industries used to procure machineries from local importer without VAT but at present had to pay VAT. Import of Aluminum thick sheet duty free.

Through Kolkata exporters can save 25%

Cost of per KG by Air \$ 1.5



Cost \$ 2.25 to \$ 2.50/Kg plus \$ 0.08 to airport authority,
6 cents to Civil Aviation as different security and
scheming charges, Lab charges 2 cents

Challenges

2nd Generation are not coming

Lack of entrepreneurship development

Shortage of skilled workers

Govt. department are not supporting to purchase local products

Custom policy are not friendly with them

Venture capital/low cost fund required

Raw material Bank

Setting up of modern Mold & die making center

Challenges

Common facilities center (CFC)

Foundry & forging plant

Technological up-gradation & productivity enhancement

Compliance

Trading Across Borders, Doing Business 2020

Economy	Time to export : Documentary compliance (hours)	Time to import : Documentary compliance (hours)	Time to export: Border compliance (hours)	Time to import: Border compliance (hours)	Cost to export: Documentary compliance (USD)	Cost to import: Documentary compliance (USD)	Cost to export: Border compliance (USD)	Cost to import: Border compliance (USD)	Ease of doing business rank
Bangladesh	147	144	168	216	225	370	408.2	900	168
Cambodia	132	132	48	7.5	100	120	375	240	140
India	11.6	19.9	52.1	65.3	58	100	211.9	266.1	63
Myanmar	144	48	141.7	230	140	210	431.7	456.7	165
Sri Lanka	48	48	43	72	57.6	282.8	366.1	299.7	99
Vietnam	50	76	55	56	139.2	182.5	290	373	70

Realities

01

8 schemes are operating for SME but not have a clear guideline how to obtain the fund

02

Recently Tk. 100 cr allocated for supporting of new entrepreneur

03

Bangladesh Bank created Tk. 700 cr for rural base agro processing Industry

04

BB created Tk. 850 cr for cottage & small entrepreneur

05

JICA project Tk. 377 cr, Islamic Bank funding Tk. 375 cr



According to the Bankers Association President SME entrepreneurs are more risky & if they got problem usually can't workout.

Supports Needed



01

For new entrepreneur without collateral Bank/funding agency should lend upto Tk. 10 lac. Interest rate should be 6 – 8%. Fund may be raised through equity participation, or venture capital.

02

New young entrepreneurs, Micro & Small industry should have 5 years Tax holiday

03

Raw material import at source Tax 5% should be withdrawal & even finish goods 7% at source tax

04

Sale of local manufactured capital machineries/spare parts should be VAT & sale Tax exempted

05

VAT withdrawal from all utilities, Electricity & Water.

Supports Needed



06

Need to built infrastructure, esp. industrial park. India is developing 1,600 industrial park. They been funded by LIC (Light Insurance company) funded to the light Engineering

At Tamil Nadu province create fund called IL&FS (Industrial Leasing & Financial Services) allocated 500 Cr. Rupees to fund Micro & Small industries.

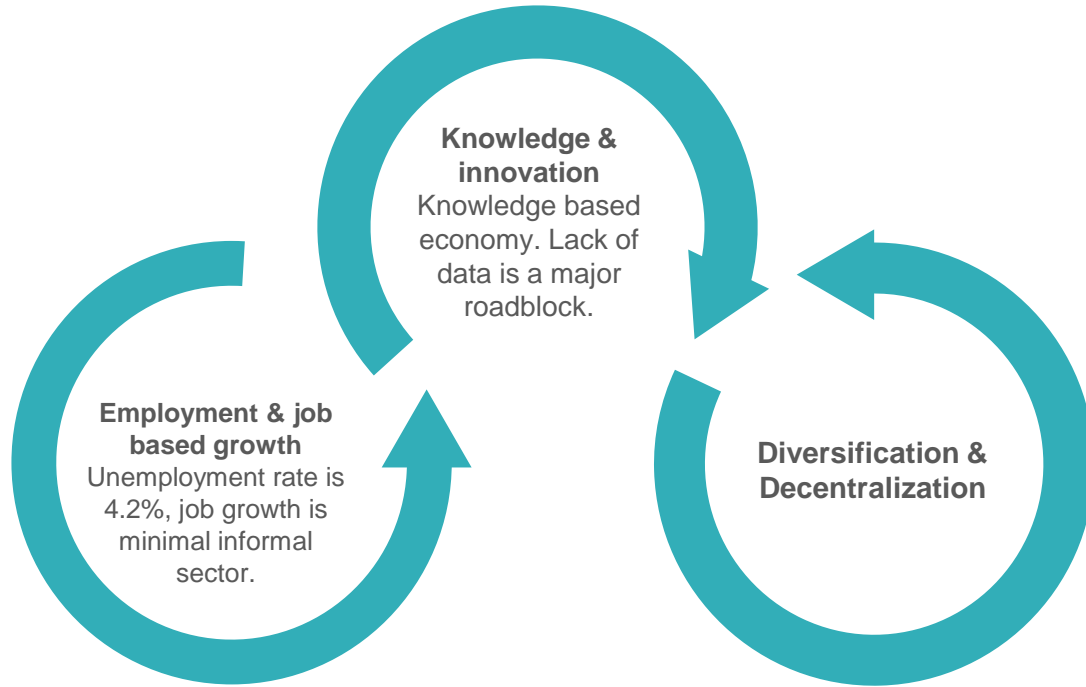
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Up-Gradation of technology specially (foundry industry)

08

Training to technological up-gradation

Priorities of BCI



Focus of BCI



Skills development

Skills development training for workers and mid-level management especially for light engineering and agro-processing sectors.



Promoting young entrepreneurs

Training, workshops for new / prospective entrepreneurs. Policy advocacy to facilitate new entrepreneurship.



Support ideas and innovations

Support an entrepreneur with information, knowledge, help to get finance, and sustainability initiatives.

BCI's Work Plan

We have started to interact with the light engineering association as well as manufacturer

Already started visiting different districts of the country. Recent interaction was Rangpur division with 10 different district chambers already.

During our visit they said in the “Beginning” sometimes other Chambers / Associations visit and listen but no feedback afterwards. They don't believe yet that we can do something for them and its important for us to establish the trust first that BCI can do for them.

In a short visit area of concerned the entrepreneurs are:

- Professional training.
- Shortage of skill workers.
- Funding is not easy & expensive
- Environment certificate
- Customs harassment.
- Industrial park at a lower cost.
- Gas connection.
- Logistic support.





Through consultation with all stakeholders, and with the support and active cooperation of all of you, together, Insha-Allah we will be able to formulate better policy for the sector to develop more entrepreneurs and create more jobs across the country.



FINAL WORDS



Thank you