

LightCastle Business Confidence Index 2016

Issue 1, Volume 1



LightCastle Partners
Inspiring Business | Boosting Economy



Strategic Partner

The Daily Star

At LightCastle, we combine Technology, Data and Analytics to solve “Real Life” problems. Our solutions range from developing/implementing innovative social enterprise models to consulting for the world’s largest business conglomerates in forming market entry strategies to working with the Government of Bangladesh to implement the country’s first “open data” platform. Founded in 2013, LightCastle has collaborated with ~70 clients in 100+ engagements.

ACRONYMS

BCI	Business Confidence Index
BCG	Boston Consulting Group
BDT	Bangladeshi Taka
BOI	Board of Investment
BSTI	Bangladesh Standards and Testing Institution
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Goods
GMO	Genetically Modified Organism
HEI	Harmonized Expectation Indicator
ICT	Information and Communications Technology
RMG	Ready Made Garments
USD	United States Dollar

WELCOME



Assalamualaikum,

It is my utmost pleasure to share the LightCastle Business Confidence Index 2016 with you all. This project is tied with great excitement for LightCastle Partners as we hope to present a holistic view of the private sector based on our survey of C-Suite level executives spanning a myriad of sectors.

The goal of this inaugural publication is to quantify the business community's degree of optimism. The higher the score, the greater the confidence.

Considering a score of 39, Bangladesh is on the positive trajectory; however, significant room for improvement exists to take our economy to the next level.

Consisting of both qualitative and quantitative data, the report is designed to give you an idea of what attracts bullish sentiments and vice versa. Since all the interviews were conducted in-person by our analysts, we were able to go a step further and pinpoint the key drivers behind success stories as well as subjective solutions to the challenges confronting us today.

In brief, we look forward to adding value by packaging our findings into a single report and providing a launch pad for further study. I strongly believe that identifying and analyzing patterns in the macro-economy, taking the perspectives of business leaders over multiple periods will equip us with superior information, eventually leading to new avenues of opportunities in Bangladesh.

I invite you all to read through the following pages fraught with valuable analysis and crisp insights. I hope you will find the read as informative and insightful as the satisfaction we had derived in preparing it.

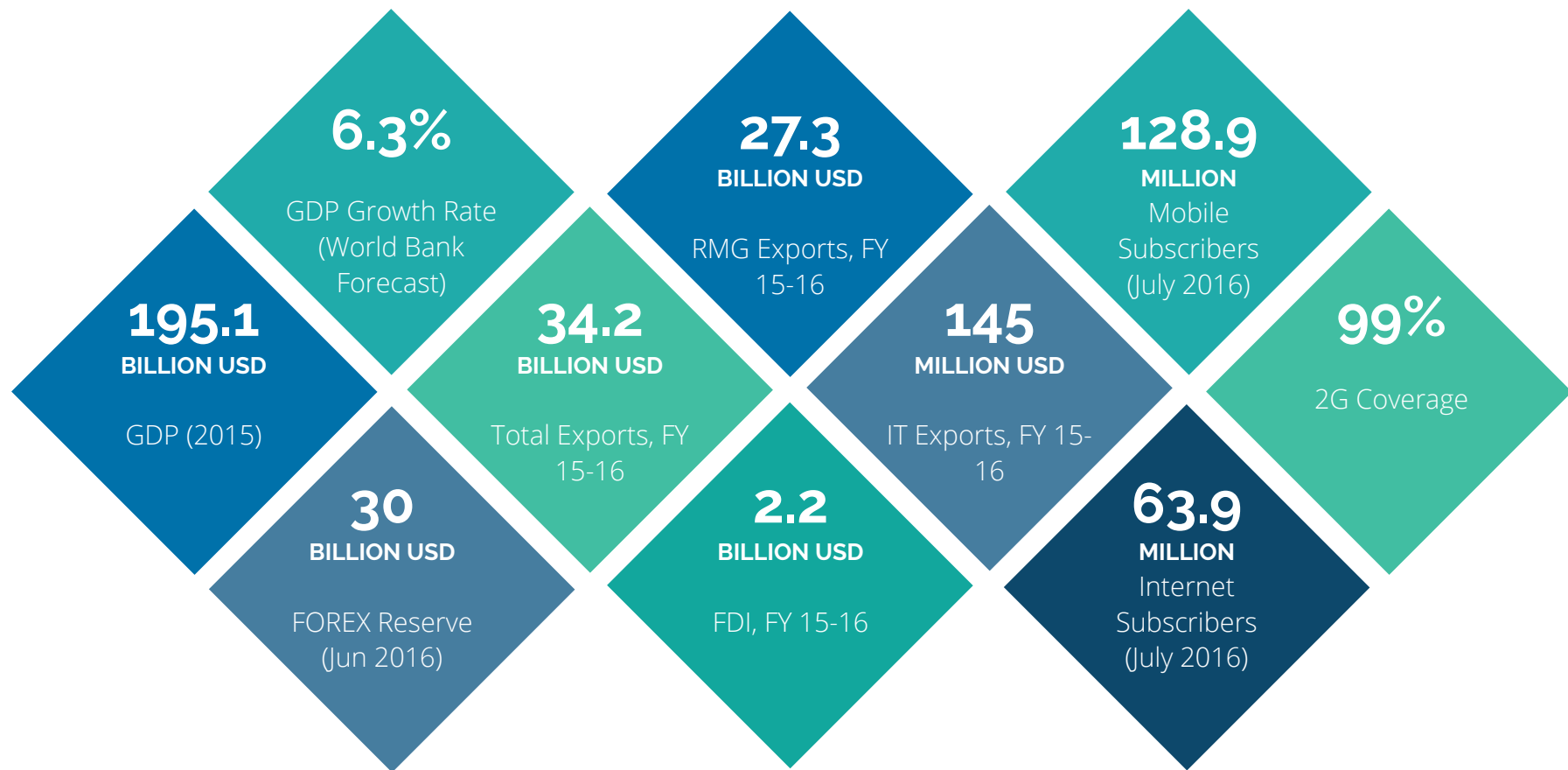
A handwritten signature in black ink, appearing to read 'Zahedul Amin'.

Sincerely,

Zahedul Amin

Co-founder & Director, Strategy and Finance

SNAPSHOT: BANGLADESH IN 2016



Sources: BTRC, EPB, Trading Economics, World Bank, UNCTAD

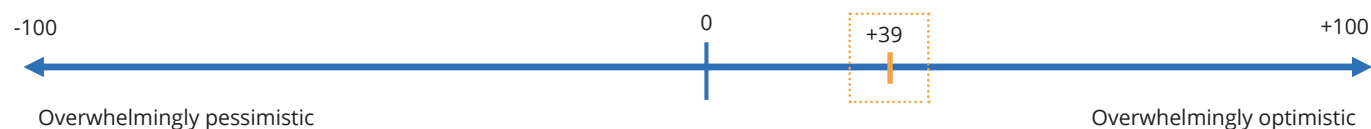
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Executive Summary and Methodology

EXECUTIVE SUMMARY

On the backdrop of Bangladesh's shift towards a middle income nation, LightCastle Business Confidence Index aims to understand the factors that influence the business eco-system through a collation of facts, figures and opinions courtesy of a survey of 54 C-Suite level executives. The data was used to calculate a Business Confidence Index score.



This year, the score was 39, implying low to moderate levels of confidence.

Industry leaders have cited incremental growth in the export of high-value products, recent political stability and an increase in purchasing power as the main driving factors behind their positive outlooks. However, investor confidence is currently low, as indicated by the excess liquidity in banks. Bangladesh Bank's official statistics show that the average call money rate has been hovering around 3.70% throughout the first half of 2016. This figure is relatively low compared to the January 2015 figure of 8.57%.

While the index score is moderately positive, there are underlying uncertainties that loom over the economy due to the following challenges, as identified by the respondents:

Power & Gas: A shortage in electricity and gas supply continue to pose a big threat. The current difference between demand and supply is 800 million cubic

feet of gas per day, which is forcing the government to ration out supply among power stations and factories.

Human Capital: All survey respondents have identified the gap between talented individuals and employers as a major pitfall; in particular, competent software engineers and entry/mid-level managers in the largest export-facing industries such as RMG and Pharmaceuticals.

Open Ended Regulation: Absence of standardization among regulatory bodies often creates ambiguity. For example, an industry leader in agro-processing pointed out overlapping standards for certain edible products among mobile courts, Bangladesh Food Safety Authority and the Bangladesh Standards and Testing Institution (BSTI).

In the short run, Bangladesh's business community feel that among many, five actionable items will induce positive impact:

- » **Prioritizing political stability and security**
- » **Facilitating domestic and foreign investment in the manufacturing sector**
- » **Increasing rewards and recognition in tax payments**
- » **Incentives for export once domestic demand is met**
- » **Greater connection between academic research with commercial applications**

In the upcoming decade, ICT, Pharmaceuticals and RMG sectors were thought to possess the highest growth opportunities with Leather Products and Agro-Processing trailing by close margins.

Opportunities

SECURITY HARDWARE AND SOFTWARE PRODUCTS MAY FACE AN INCREASE IN DEMAND

PREFERENCE OF CONVENIENCE OVER EXPERIENCE I.E. E-COMMERCE & DELIVERY SERVICES

TELECOMMUNICATIONS AND MOBILE PAYMENTS MAY GET A BOOST

EXPORTS MAY FALL DUE TO REDUCED FOREIGN BUYER CONFIDENCE

FDI INFLOW MIGHT DECREASE, DEPRIVING THE COUNTRY OF CRITICAL CAPITAL INJECTION

BRAIN DRAIN MAY INCREASE, CAUSING LOCAL TALENT POOLS TO DIMINISH FURTHER

Threats

**The data collection period for this report was from May 28th until July 1st. However, in light of the recent security threats in the country, 10 additional interviews were conducted, revealing the above opportunities and threats.*

METHODOLOGY

The Harmonized Expectation Indicator (HEI) method was used to process the primary data. This factors in performance reviews for the foregone year, current situation and expectations for the upcoming year.

Harmonized Business Confidence Index:

The indicator was later examined for differences between the percentages of favorable and unfavorable responses regarding business confidence. The subsequent score can fluctuate between -100 (all of the respondents have negative expectations regarding the coming year) and +100 (all of the respondents are optimistic in their expectations).

Built using a conveniently standardized geometric average between Situation and Expectations, the Business Confidence Index score induced from the HEI method provided for an accurate picture of the prevailing business confidence. It is defined as the average between Situation and Expectations.

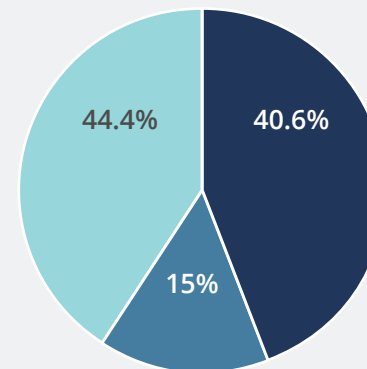
$$\text{Business Confidence} = \sqrt{[(\text{Situation}+200) \times (\text{Expectations}+200)] - 200}$$

Sampling:

The BCI was calculated by surveying 54 C-Suite level executives such as CEOs, CFOs and COOs, including next-in-line for these positions

covering a wide range of industries. The survey was fielded between May 28th and July 1st, 2016. All interviews were conducted in person except two collected through an online survey.

Exhibit 1: Sampling Mix



Primary sector includes agriculture and commodities. Secondary includes manufacturing and processing. Tertiary sector includes services.

Primary: Jute, Protein & Frozen Products, Tea and Agro-processing

Secondary: RMG & Textiles, Pharmaceuticals, Power, Cement, Edible Oil, Steel and FMCG

Tertiary: Financial Institutions*, High-End Hotels, Business Services/Consulting and Information Technology

** Grouped into three categories – Foreign banks, local banks (both private and state-owned) and non-bank financial institutions.*

Company representation was carefully calculated to be reflective of their respective industries: Industry representation was organized to be proportional to their respective contribution to the Gross Domestic Product. Albeit subjective, an effort was made to represent the full spectrum of businesses by covering small, medium and large-sized firms along with a mixture of local and foreign entities.

01



The Macroeconomy

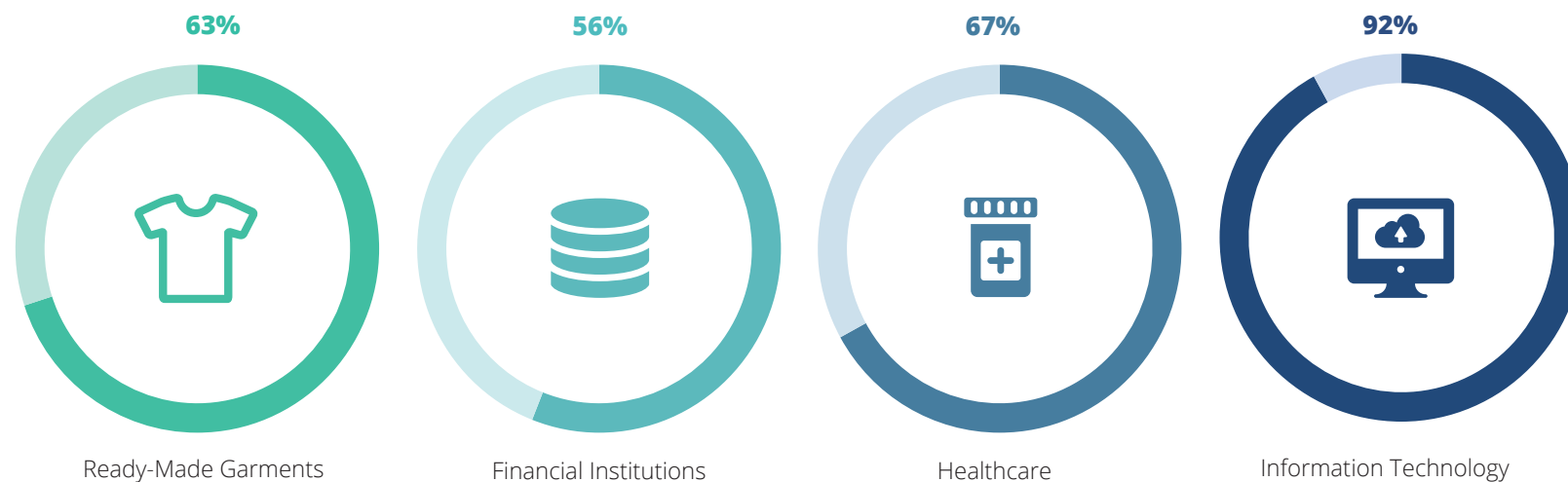
THE MACROECONOMY

The latest BMI Research Report from July 2016 has named Bangladesh as one of the 10 emerging markets of the future, highlighting the country's competitive labour-cost structure as a potential driving force to become an export-facing manufacturing hub.

Yet, the overall pulse of the economy according to the respondents was satisfactory but not exceptional i.e. slow but steady growth across the board. This resulted in a mildly optimistic rating of confidence, as demonstrated by the BCI score. Perhaps these sentiments can be better expressed by the words of a Managing Partner in a consulting firm, who had said, *"The optimism comes more due to the absence of darkness, rather than the presence of light."*

The microeconomic climate is made up of an aggregate of the performance and opinions of different industries. It is important to note that some industry leaders were substantially more optimistic about the future of both the economy and their respective industries in the short run than others. They are:

Exhibit 2: Percentage of industry leaders expressing optimism for the upcoming fiscal year



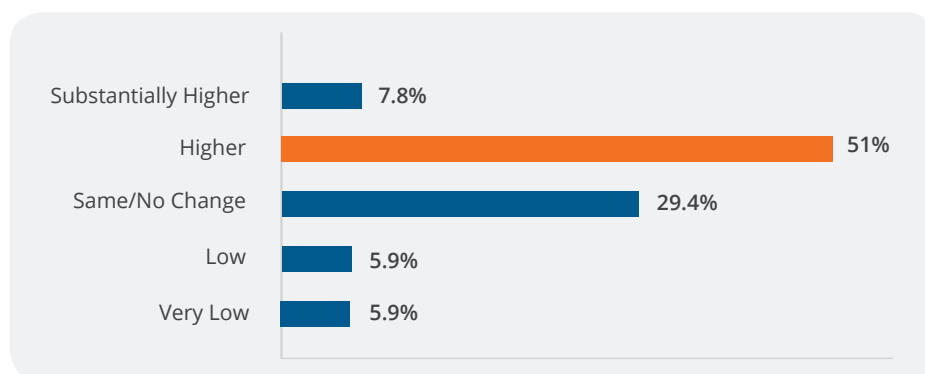
The primary reasons behind the optimism were a move to value added goods for RMG, a slow but upward increase in demand for loans from Financial Institutions, integration of technology for Healthcare processes and rapid growth in internet penetration augmented by favorable government policies for the ICT industry respectively.

Real Estate, Pharmaceuticals and the Hospitality Management displayed comparatively lower levels of confidence. The primary causes stated were low levels of investment and debt-financing – despite prevailing low rates of interest.

Industry leaders believe that the biggest cause for slow growth are shocks and surprises – in any form – such as sudden policy level changes e.g. taxation, political violence or prolonged disruption in the transportation network. The recent terrorist activities, particularly the attack in Holey Artisan Bakery, have already started a ripple effect, dwindling confidence and investment throughout the country.

If these shocks can be mitigated through strong policing and long term planning, a higher BCI score in the upcoming years would not come as a surprise.

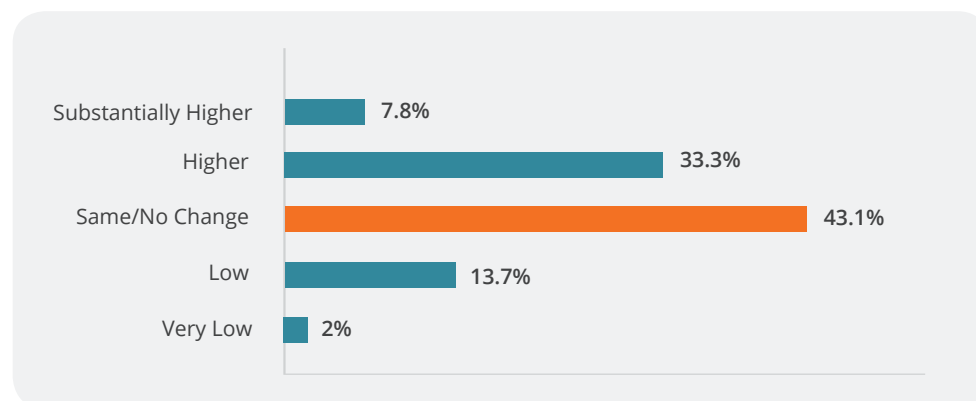
Exhibit 3: Investment Expectations for the Coming Year



The interviewees forecasted an increase in investments due to the prevailing low interest rates. The manufacturing sector is most likely to lead this charge, with 20 out of 22 respondents claiming to have new projects in the pipeline, primarily held up by utility crisis.

2015 data from the CIA World Factbook show that Bangladesh's manufacturing sector makes up 30.4% of GDP, whereas Vietnam and Indonesia stand at 38.8% and 42.8% respectively.

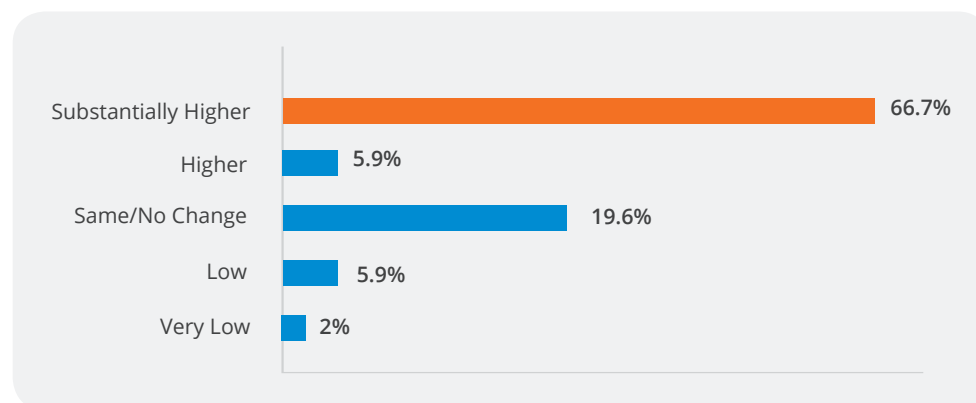
Exhibit 4: Export Expectations for the Coming Year



Although export anticipation is not overwhelmingly positive, there are signs of slow and steady increase.

Increased advantages in cost arbitrage and infrastructure developments such as the new Dhaka-Chittagong expressway and Padma multipurpose bridge are expected to reduce export lead time. Furthermore, the government has recently opened the Payra Sea Port, which is expected to give an additional boost to trade and investment. However, leaders in export-facing industries have stated that power & gas shortages and inefficiencies in port management are impeding growth.

Exhibit 5: Employment Expectations for the Coming Year



Bangladesh has been reaping the rewards of the 'demographic dividend' the country's young population has to offer, and will continue to do so in the near future. According to the Bangladesh Bureau of Statistics, around 1.2 million people enter the workforce every year.

Industry leaders are bullish that they will be able to create more employment for the youth. The manufacturing sector has expressed the greatest desire and need to employ more.

Overall, the economy is moving in the right direction at a stable pace. However, if higher growth is to be achieved, effective investments in skilled human capital and machinery to facilitate industrialization must be made.

02

Industry Specific Insights

INDUSTRY SPECIFIC INSIGHTS

In every interview conducted for this report, our analysts engaged in open-ended conversations with industry leaders to decipher the reasoning and logic behind their answers. Although a handful were based on intuition, most executives shared concrete explanations behind their opinions. These insights are shared below on an industry-by-industry basis, with a quote from respective Key Informant Interviews (respondents).

Agro-Processing

“Huge scope for innovation – we have proven our capabilities by conducting breakthrough research in rice and GMOs. In order to capitalize further in this industry, companies need to focus on scale and vertical integration.” – Managing Director of a supermarket chain

Despite seasonal variance and perishability barriers in the industry, agro-processing is still a large and growing sector. Moreover, technological advancements are solving and could further mitigate problems related to farmers' cash flow, cattle welfare and fertilizer use.

Business Services

“The pie is growing – I would argue that there is enough space for all the existing players plus a few more. However, it is essential that they look towards cross-border outsourcing in order to exploit new sources of revenue.” – CEO of an international consulting firm

Due to an increased demand for digital advertising, strategic consulting and data analytics from local firms, business services firms have experienced noteworthy growth in recent times. All the firms interviewed in this industry have reported that they are operating at near-capacity levels. High labor price arbitrage is making it possible to win businesses from the Western world on an increasing margin.

Cement

"You need deep pockets and patience to win with cement in Bangladesh." – Head of Marketing at a transnational cement company

Bangladesh's cement consumption per capita is still among the lowest in South Asia, standing at 107 kg/person (IDLC, 2015). Despite this, huge demand is being forecasted by most major players, causing great overcapacity in the industry. Raw materials also need to be imported, increasing cost-pressure on the manufacturers. Most respondents have admitted that exporting cement is not feasible due to low profit margins.

Commodity

"Export prospects coupled with increasing domestic demand gives us hope" – Independent trader of ground spices (masalas)

Commodity businesses leaders have reaped the rewards of increased technological support in production along with political stability. 63% have said that they are optimistic about the near future, while the rest 37% have said that the markets will remain stable without much change. The caveat is that all the respondents have said that export will remain stagnant, and unless there are renewed interest from the government to add incentives after domestic demands are met, it will be difficult to take advantage of potential opportunities for cross-border trading.

Exhibit 6: Cement Capacity vs Demand in Bangladesh



Consumer Durables

“There are a lot of informal producers of furniture i.e. local carpenters. There is an opportunity to bring these people under a corporate umbrella which will allow us to reap the benefits of operating at scale.” – CEO of a furniture company

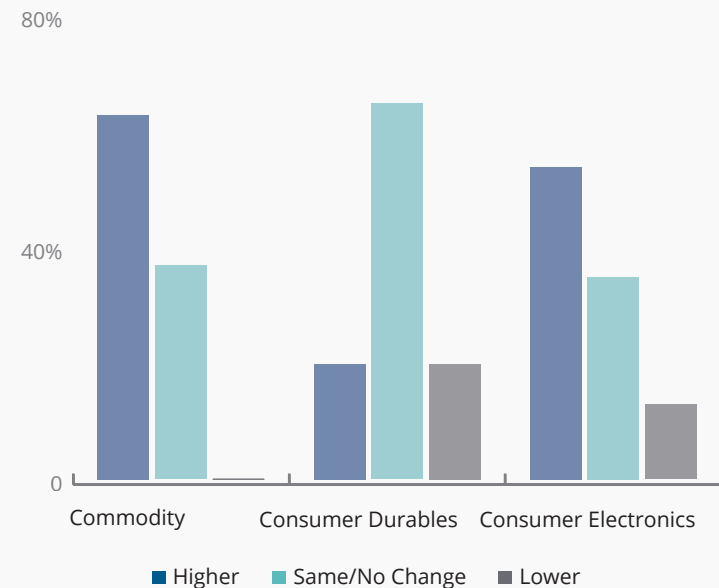
Consumer durables, such as vehicles, furniture, plastic products, and other household appliances have enjoyed the rise in purchasing power and the increasing trend to pursue quality instead of price (BCG Bangladesh Report, 2015). 3 out of 4 respondents believe that there will be a steady increase in demand for motorbikes outside Dhaka due to a growing lower-middle income group and better road networks.

Consumer Electronics

“Mobile phones are often the only luxury items that someone can afford and they want top-of-the-line products that often exceed their pre-determined budgets by a few thousand taka” – CEO of a mobile-phone retailer

Riding on increased internet penetration and cheaper phones, TVs, laptops and gadgets from local, Indian and Chinese sources, consumer electronics manufacturers/retailers are tapping into markets all over the country. 3G services have thrust previously small markets in rural areas to grow into potential goldmines.

Exhibit 7: Optimism in the Upcoming Year



Electric Power

“Unless the bureaucracy in the power sector’s decision-making process is not attended to, the economy is going to lose momentum.” – Director of a privately owned power company

With over 61 million people expected to be connected in the coming years, electricity generation deems to be a very lucrative industry in Bangladesh with scope for huge investment. Respondents believe that despite the success stories and the Prime Minister taking a special interest in this sector, a significant amount of work is left in various points throughout the vertical chain, most importantly in fuel sourcing and distribution.

Financial Institutions

“This concentration of wealth is going to hurt us through various knock-on effects. The government has to provide more support to increase the success rates of small and medium-sized enterprises” – CEO of a non-bank financial institution

Results were greatly mixed in financial institutions with almost a 50-50 split in terms of growth confidence. The group swaying towards optimism cited infrastructure developments, recent political stability and FinTech integration as reasons behind their optimism. On the other hand, groups expressing pessimism blamed open-ended regulation in credit default situations, lack of investor confidence and power & gas shortage as their reasoning.

Interestingly, once the different types of financial institutions were broken down, investment banks and other institutions who are involved with restructuring, capital raising, foreign-currency debt and mergers and acquisition services paint a different picture – portraying a significantly higher optimism.

Exhibit 8: Growth Forecasts – Leaders in the Financial Industry



Exhibit 9: Growth Forecasts – Leaders in Investment Banks Only



FMCG

"The Bangladeshi FMCG market is such that – if you can package well and tap into latent demand through close observation, you are gold." – Head of Marketing at an edible oil company

'There is huge untapped potential left in the market,' especially in rural areas where last-mile logistics tend to be a big barrier. Due to large population and increasing purchasing power, existing local players and MNCs are flexing their muscles to capture market share while a number of large foreign conglomerates are carefully eyeing the market, with a few reportedly running market studies in the country.

High End Hotels

"Location trumps all in this business. It may surprise you, but some of the world's most profitable hotels operate in Dhaka during the peak season but only concentrated in a particular area." – Managing Director of a local hotel chain

The hotel industry experienced huge demand in recent times driven by incoming business travelers and international sports events. A respondent has mentioned that the demand for 4 and 5-star hotels in the capital city is increasing at 15% per annum, although this statistic could not be verified. Even then, optimism was low due to lower-than-expected number of scheduled international events along with a sensitive law & order situation.

ITES

"Consistent with the government's Digital Bangladesh vision, incentivizing initiatives taken at the policy level through organizations like BASIS can prove to be a game-changing move. I think our IT sector is moving in the right direction." – Founder of a software outsourcing company

Recent success stories in the IT sector coupled with strong support from the government is the main reason behind strong optimism in the industry. Respondents have pointed out three 'secrets to success' for IT companies to thrive in Bangladesh:



**Gamify products to
increase customer retention**

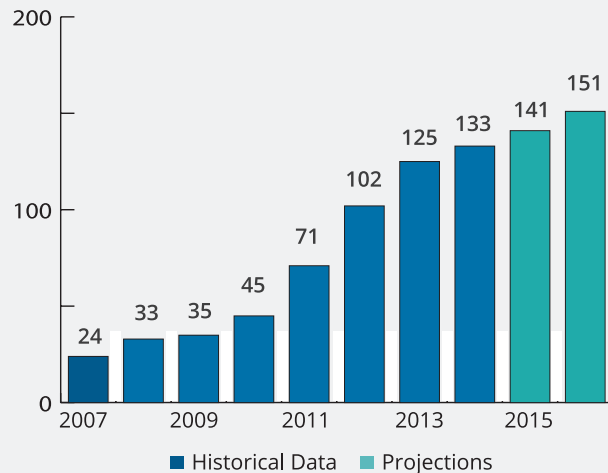


**Focus and invest
on UX Design**



**Automate processes as
much as possible**

Equal Monthly Installments (EMIs) from Financial Institutions are playing a pivotal role as well for the growth of this sector.

Exhibit 10: ICT Export Projections (USD Mn)

A significant number of IT firms claim that there are a lot of underutilized resources – which makes this industry to be ranked second from the bottom (after the Real Estate sector) in capacity utilization.

From our surveys, we have gathered a sentiment of inadequacy of demand in local and offshore out-sourcing markets. Having said that, the growth trend in the left chart belies this very fact. Rather the data is consistent with the optimism expressed for near future and that's noteworthy.

Leather

“Efficiency has improved over time in the Bangladeshi footwear industry. It must and will increase further as workers gain experience and new automation techniques are implemented. I believe it is only a matter of time.” – MD of a local footwear manufacturer

The respondents from the leather industry were all primarily footwear manufacturers who also produce bags, belts and other accessories. Given the growth experienced in both the domestic and export markets for such products, both new entrants and existing producers are rushing to get spots in the new Export Processing Zones (EPZs).

Industry leaders have cited three primary reasons behind their optimism in our survey:

» A huge gap in minimum wage levels between China, India and Bangladesh. Despite the rise of other South-East Asian countries in the industry, leaders feel that the 200 billion USD global footwear market will leave enough room for Bangladesh.

- » Opportunity for vertical integration: Bangladesh has the capability to participate in all steps of the value chain from rawhide collection to shipping advantages with access to the Bay of Bengal.
- » Increase in people's purchasing power in the domestic markets has created a larger pie, supplemented by increased adoption of the e-commerce model for footwear and bags in Bangladesh.

Pharmaceuticals

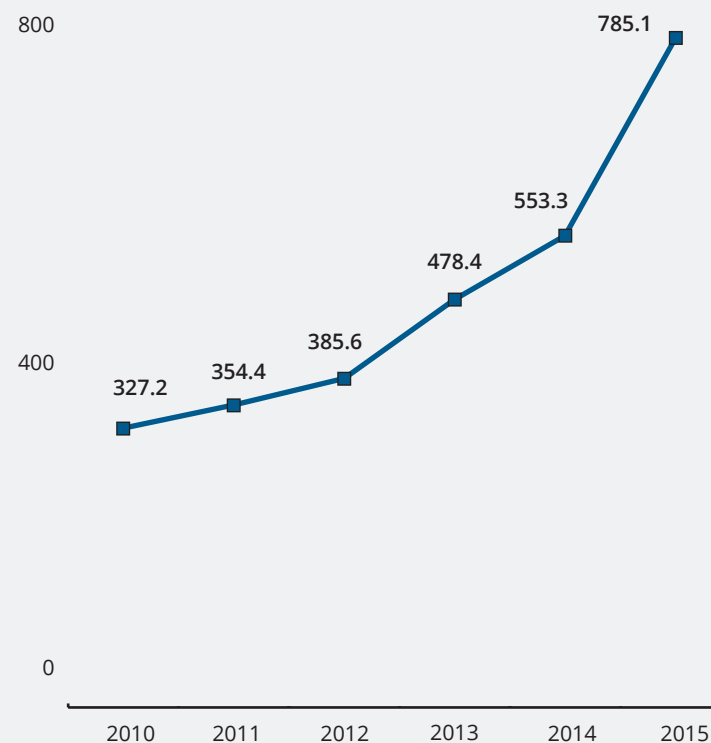
"With a combination of domestic demand and export prospects, pharmaceuticals have the potential to be way bigger than what it is now." – Head of Supply Chain at a transnational pharmaceutical company

Leaders in this sector did not tilt either way, remaining adamant that pharmaceuticals catering to the local market are going to remain the same in the short run. Investments and sales are expected to rise, but not to the extent that would surpass projections.

The reasons were outlined as severe shortage in industry-specific skilled talent, regulatory red-tape and counterfeit products looming at large. Respondents believe that there needs to be a stronger recruitment pipeline along with an increased effort to integrate backwards i.e. produce raw materials in Bangladesh in order to gain greater competitive edge in the lucrative export markets, which has been growing at an impressive rate in the past few years.

One respondent was particularly hopeful about the future. Citing the recent approvals of the US Food and Drugs Administration (FDA) of two Bangladeshi companies, he said that export can increase as much as 10 times if the North American market opens up to Made-in-Bangladesh medicines.

Exhibit 11: Pharmaceuticals Exports
(in crores of BDT)



Real Estate

"It is imperative that we adapt to the market. Lower housing prices imply that it is time to build smaller homes to bring the next tier of the middle class into the housing net." – Director of an early-stage real estate developer

The Real Estate sector has taken a big hit in the last 5 years, with prices being slashed all over Dhaka in an effort to generate higher demand. 80% of the business respondents have said that shortage of land and high land prices work as salient reasons behind this scenario. A number of respondents have said that apartments are around 30% cheaper compared to price levels of 2012, the peak of Bangladesh's housing bubble in recent times. One of the country's leading developers is particularly concerned about the Uttara region of the capital city, claiming that prices have fallen drastically, leading to a hefty number of apartments remaining unsold.

5 out of 5 respondents have agreed that weak demand is the salient problem, followed by lack of financing options for customers and bureaucracy in regulatory bodies.

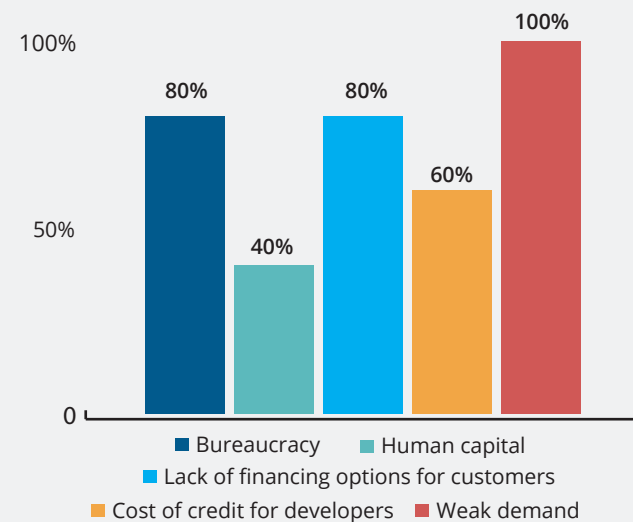
Steel

"Since I do not see a construction boom or a surge in the Real Estate market anytime soon, the key would be to focus on export. I think that we will notice an increasing trend in export to destinations geographically further away." – Director of a Chittagong-based steel mill

Executives in the steel industry unanimously agreed that there will neither be any shocking growth nor do they see any reason for demand to plummet significantly as a significant portion of this demand comes from government infrastructure projects. There is already excess supply in the industry where many have agreed that production surplus stands close to 40% of the total domestic demand.

Nonetheless, there are opportunities for growth in the long run if companies are able to tap into growing Asian markets as export destinations and become self-reliant on producing the main raw materials: billets. Steel recycling is also an emerging industry that many of the current players are now exploring.

Exhibit 12: Major Problem Areas in the Real Estate Sector identified by Respondents

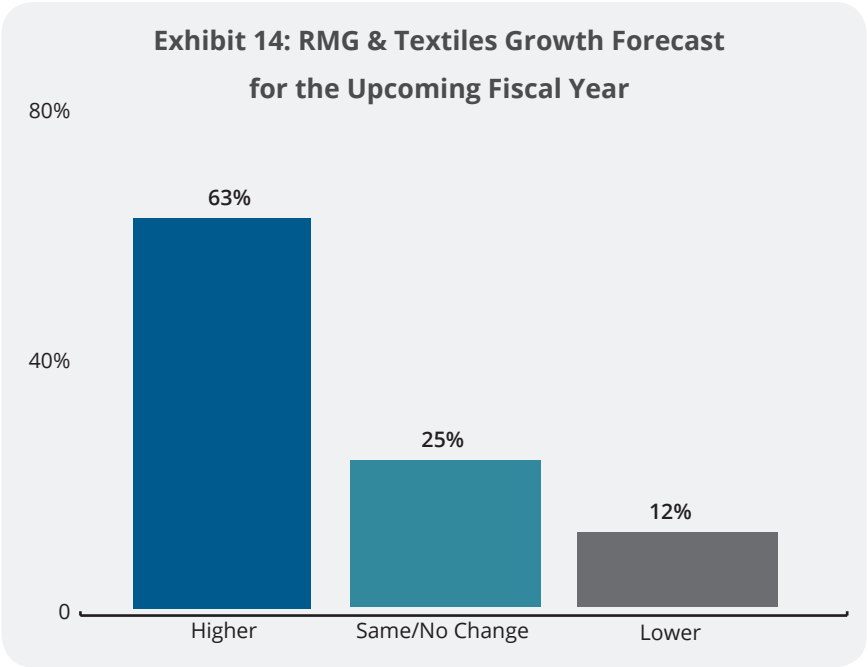
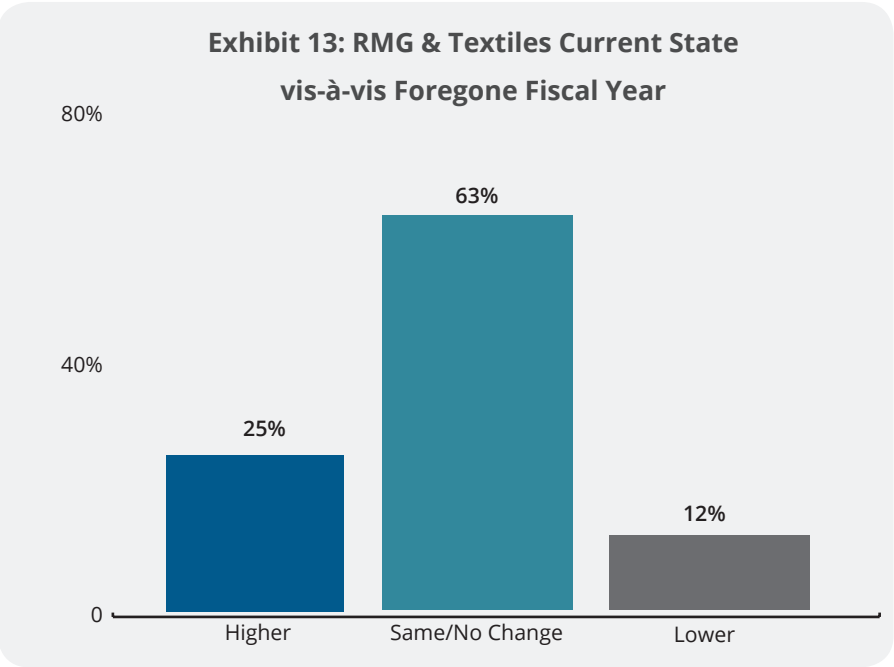


Ready-Made Garments

“The difference between China, the largest exporter of RMG, and Bangladesh, currently at number two, is huge. There is enough room for us to grow even more in the future.” – Director of a decade-old RMG manufacturer

Relative to the year gone by, RMG businesses have expressed significantly higher optimism for the upcoming year than previous times due to the improvements in power generation, recent political stability and un-interrupted supply chains. 4 out every 5 respondents believe that there will be a long-term movement to value-added goods or high-end products that will increase the sector’s export arsenal.

However, the caveat is that those who answered ‘higher’ did so with caution. While optimistic, they don’t foresee a boom in sales or investment in the sector citing labor performance uncertainty and the state of the US and EU as primary concerns.



03

Problem Areas

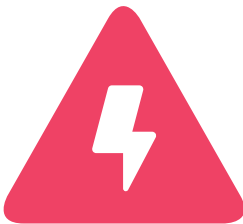
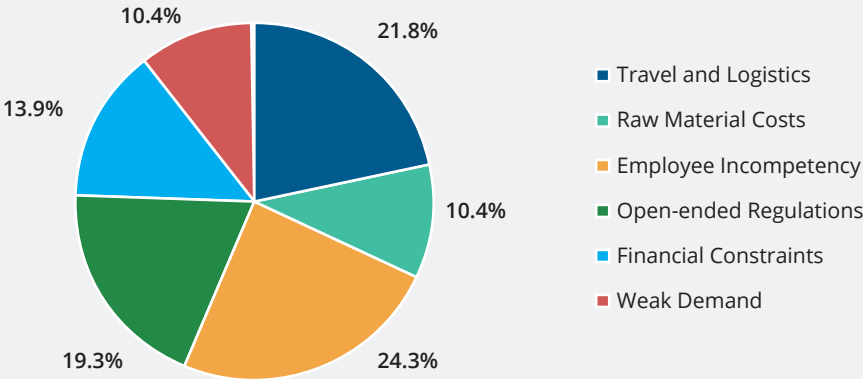
PROBLEM AREAS

Every economy has its own unique problems that undermine growth potential and cause headaches for both businesses and the government. As captains of their respective ships having to face patches of rough weather head-on, few people can paint a more accurate picture of the challenges that prevail in the Bangladeshi economy than the respondents of this survey.

In recent times, respondents have said that they have not found the government to be unresponsive, although decision-making pr ocesses and approvals were painstakingly slow.

According to a number of respondents, these problems only become potent when they come in the form of a shock. For example, only 2 out of 54 respondents listed corruption as one of the top-three problems they are facing. Most (around 81%) say that they do not see it as a major obstruction for their businesses, while someone went as far as saying that corruption is a way of the market correcting itself.

Exhibit 15: Problem Areas cited by Industry Leaders



100%

of the respondents cited power and gas shortages as a major obstruction to economic growth

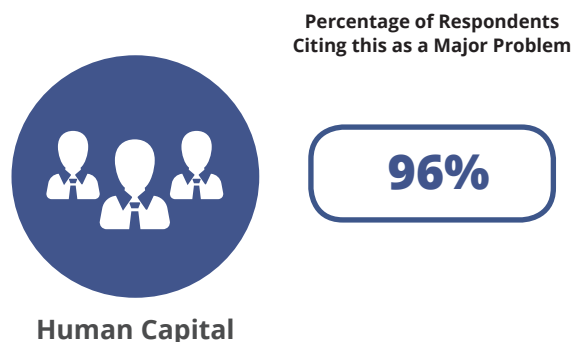
The executives interviewed for this report unanimously agreed that in order to achieve the goal of reaching middle-income status by 2025, the country needs to address these issues as a matter of urgency.

As we analyze these problems further in the following page, many respondents have opined that it is important to note as a developing country, Bangladesh has made commendable progress in addressing internal challenges. To quote an industry leader of a travel-tech company, *“Changes do not happen overnight. It is important to remain persistent and engage in open dialogue about these problems, and to come up with solutions collectively. With technological advances and data-driven decision-making, I believe things will look up sooner than later.”*

Exploring the Big Four at the Firm Level

Our data suggest that all problems do not appear to be of equal nuisance. Some are more critical than others, while many require long term planning to ensure mitigation and alleviation within the next decade.

Exhibit 16: Big Four Problems



There is a huge gap between employers and competent jobseekers. Employers claim basic communication skills and business acumen often lack among fresh graduates; hence experienced individuals are being hired at a substantial premium. Constant poaching of skilled workers in the manufacturing sector also poses a big problem to factories. Respondents feel that a stronger recruitment pipeline from universities, heavier investment on training and retaining workers and better education systems are required to solve this critical problem.

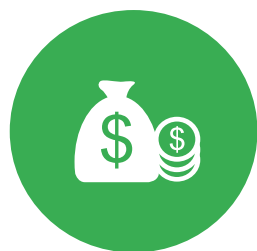
Exhibit 16: (Continued)**Open-ended
Regulation****Percentage of Respondents
Citing this as a Major Problem****73%**

Many industries, particularly firms in finance and packaged-food manufacturing, have complained about a lack of standardization of regulatory bodies. In several occasions, laws are not transparent. One respondent in the banking sector states that a particular section of law can be interpreted in more than one way, which is causing reduced foreign and local investor confidence. To tackle such issues, a few respondents have suggested hiring external, industry-specific policy consultants.

**Logistics****61%**

Traffic congestion in urban areas coupled with a lack of concrete roads in rural areas provides a big challenge for firms with respect to logistics. Export-oriented firms also criticized inefficiencies in the ports that impede proceedings significantly in time-restricted situations.

Conversely, with the recent launch of the Dhaka-Chittagong expressway and Padma multipurpose bridge, the government is moving in the right direction. Startups and existing logistics firms are employing new technology to provide better services in this sector, which could be a significant boost to the economy.

**Financing
Constraints****53%**

Interest rates have prompted much debate and speculation in the last few years. Even though interest rates are substantially lower than the median rate over the last decade, 72% of respondents believe it could be lowered even further.

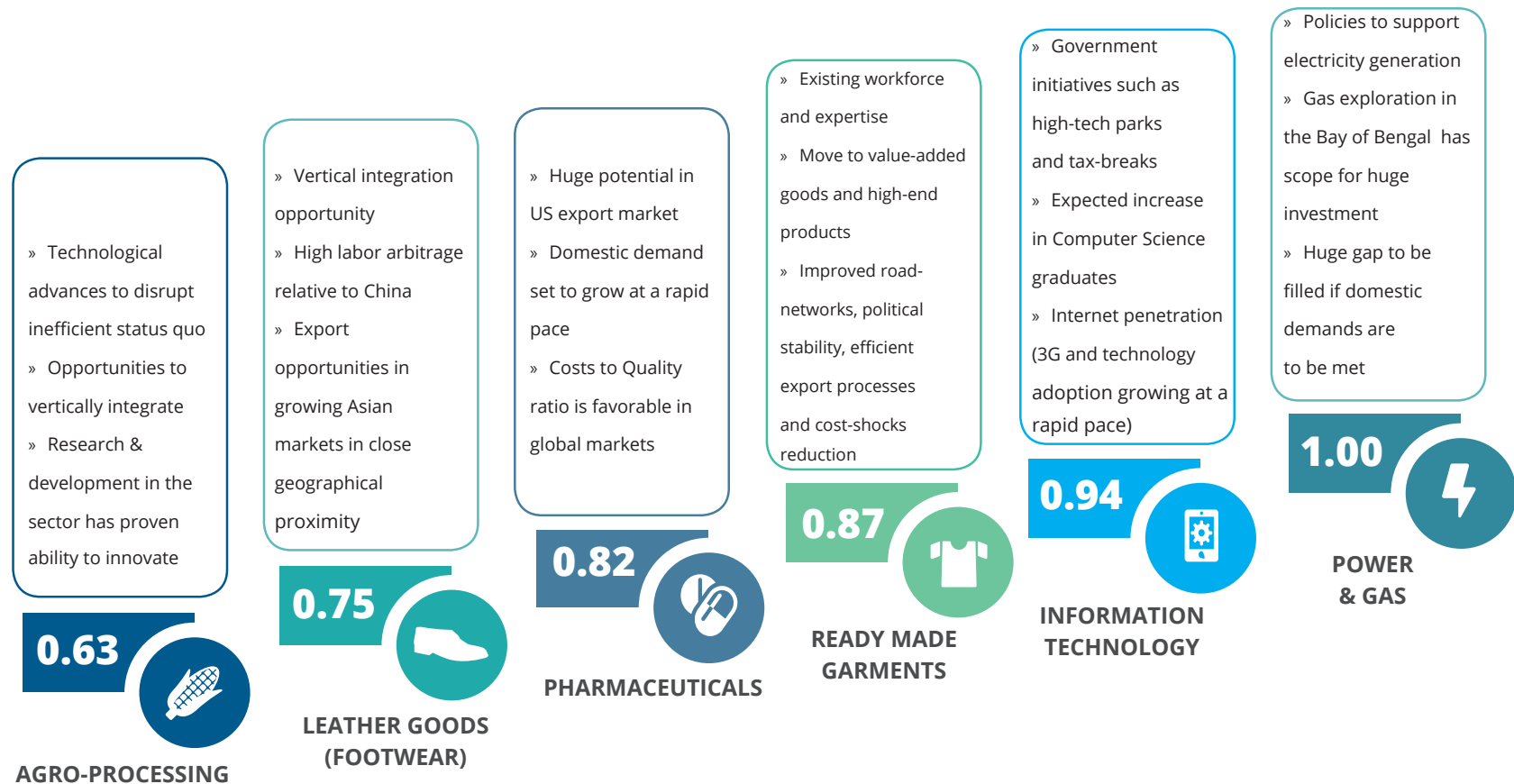
Some respondents have also shared the apparent difficulty and bureaucracy in venture capital and private equity deals. Processes to attain special types of financing such as foreign debt and convertible debt are still relatively harder than what they could be.

04

Future Prospects

FUTURE PROSPECTS

Industry leaders were asked to identify top 3 industries that, in their opinion, would present the highest growth opportunities in the upcoming decade. The top 6 industries, ranked on a scale of 0 to 1, are presented below:



05

Concluding Remarks

CONCLUDING REMARKS

From a birds eye point of view, Bangladesh looks to be at a crucial junction in its history where it has the potential to mature into a commercial sensation driven by its labor-intensive manufacturing units supplemented by IT enabling services. The respondents from the public and private sectors have spelt out a series of steps for consolidating growth in the business ecosystem:

Prioritizing political stability and security

Political stability in the recent past have contributed greatly to this year's positive confidence levels. However, the recent activities of terrorism can potentially obstruct future investments: a challenge every stakeholder in the economy, including individuals, must work together to tackle and mitigate. Creating a safe environment for business is imperative if both foreign and local investments are to increase.

Facilitating domestic and foreign investment in the manufacturing sector

If the demographic dividend is to be realized to its full potential, there is no alternative to creating jobs in labor-intensive secondary sector. Given the sector's importance, the government should play a pivotal role in streamlining regulatory affairs, stemming interest rates for commercial loans and actively supporting entry of foreign entities through the Board of Investment (BOI).

Incentivizing for export once domestic demand is met

The government should incentivize sunrise industries with potential for export by providing tax holidays, cashback opportunities etc. once domestic demands are met, similar to policies in South Korea and other Asian Tiger economies. Moreover, regulatory policies must be structured to reduce exploitation and abuse of such policies.

Increasing rewards and recognition in tax payments

Respondents, mainly from the FMCG, Consumer Electronics and Consumer Durables industries, have expressed concerns about unscrupulous competitors who show little to no interest in paying due taxes, subsequently creating discrepancies in pricing. Better monitoring and lower red-tape were suggested.

Connecting academic research to commercial applications

Many academic institutions are conducting cutting edge research across various sectors, noticeably in renewable energy and agriculture. However, many respondents complained that these R&D efforts often fail to reach the hands that could apply these concepts at scale.

If universities and the private sector partner more often, then it could be a potential win-win situation for both parties. Universities will get more opportunities to finance their research while employers can apply these findings and simultaneously make deeper inroads in the recruitment pipeline.

The overall optimism in the country is not overwhelmingly high, which is not excellent news, but it is not bad news either. The excess liquidity can be as much of an opportunity as it is a threat, provided that challenges in utilities, infrastructure and security threats are overcome in the near future.

Bangladesh is growing at a steady rate, and being hopeful about future prospects is justifiable. With superior access to information, planning and execution compared to the past, Bangladesh is at a crucial junction where the country can capitalize on its youthful population and strategic geographical position to become the next Asian Tiger.

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