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# Why are SMEs not availing the govt directed loan opportunities?

*Slow implementation of stimulus packages is hurting the target beneficiaries*

THE pandemic has affected all businesses, big or small, in the country as elsewhere in the world. But while the losses they suffered varied widely—with the small businesses being disproportionately affected—big businesses, particularly large industries and the service sector, have been relatively quick to find their way to recovery by accessing loan opportunities granted under the government-announced stimulus packages, as well as by utilising the business-friendly environment following the lifting of the lockdown. By contrast, small and medium enterprises (SMEs) and low-income groups, including farmers, have been slow to respond to and access the loan benefits, largely because of the reluctance of the banks, according to a report by *The Daily Star*. This is indeed a cause for concern. For months, we have been urging the authorities to expedite the loan disbursement process for the hardest hit groups and businesses, but the progress so far has been sluggish to the point of being disappointing.

This is despite recent initiatives by the central bank and the government to speed up the process. While 81.87 percent of the Tk 33,000 crore package for large industries and the service sector was approved by the lenders as of October 6, only about a quarter of the Tk 20,000-crore package dedicated for the SME sector was disbursed, amounting to Tk 5,882 crore among 26,664 borrowers since September. The situation is no less disconcerting for the farming sector which, as of September 30, saw only Tk 1,869 crore disbursed among 87,526 borrowers under the Tk 5,000-crore package for the sector. Several factors have been identified for the slow developments in the SME sector, including the reluctance of lenders to promote the packages as well as their “cautious stance” due to the fragile health of the SMEs. Usually, SMEs make a large portion of their profit ahead of Eid-ul-Fitr and Eid-ul-Azha, but they failed to do so during the last two festivals. They have also been less organised compared to the big businesses, which have been quick to submit the required documents and also their business continuity plans to the banks, helping them make a decision quickly, according to an expert.

Whatever the circumstances, the central bank cannot avoid its responsibility in this regard. It must do more to remove all regulatory and circumstantial barriers to accessing the loans and to get the banks to speed up loan disbursement among the small businesses and low-income professionals. Also, considering the large number of people who depend on the cottage, micro, small and medium enterprises in Bangladesh, the current allocations under the packages also need to be increased. SMEs are the backbone of our economy. They contribute about one-fourth of the country's gross domestic product, delivering jobs, growth and prosperity for millions of people across the country. We must do more for them, for our own good.

# Poor shortchanged by rice dealer

*Where was the supervisor?*

EVEN during a period when the poor are enduring tremendous hardship, they continue to fall victim to disingenuity, greed and inequity of traders. It is even more distressing and despicable when government aid for the indigent section of society is misappropriated. The latest incident of such dishonesty and cheating of the poor has occurred in Baralekha upazila in Moulvibazar where, as reported in this paper on October 20, a rice dealer was giving short weight to the recipients of a rice distribution programme of the government where they could buy rice at an affordable price. Instead of the authorised 30 kg per card, they were being handed out 25-26 kg of rice. Not only that, the dealer was handing over rice to more than one person simultaneously, in violation of the rule. Predictably, the dealer has denied the allegation but his excuses fail to wash. If he was given less than what he was entitled, why did he accept the lot from the government godown at all?

Such instances have been aplenty, especially with the outbreak of the debilitating pandemic, when the involved parties, particularly the food grain dealers and public office bearers at the local level, combined to cheat people by tampering with the list of the needy, giving them less than they were entitled and, in many cases, stealing a large portion of the allotted amount of food grain. Many members of the upazilla parishad and chairmen belonging to the ruling party have already been apprehended. What has come of them we do not know.

Two lacunae help abet and encourage this practice. First is the lack of oversight that happened in this instance also, where the supervisor, known as “tag officer”, was not present at the distribution point. Whether that was deliberate and a part of the scam, should be found out. There is past evidence to suggest that without the connivance of local officials, it is not possible for local dealers to resort to such knavery. The second reason is the inordinate delay in the legal process, which, combined with the political link of the accused, eventually leads to the case petering out. It not only encourages corruption; the good efforts of the government to help the poor go to waste.

The cure for such malaise is there, but those are not being administered. That is the misfortune.

# Good intentions, poor results: The problem with social safety net programmes

SYED BASHAR

BEFORE the 1990s, it was rare to find social safety nets (also called antipoverty programmes) in most developing countries. At the turn of the millennium, many developing countries, including Bangladesh, started implementing social safety net (SSN) programmes in the form of conditional and unconditional transfers. One reason for the proliferation of SSN is that developing countries have become richer and more politically stable. Another reason is that the success of social programmes in one country is quickly copied in other countries.

Although the SSN's economic rationale is simple—to raise the consumption floor of the poorest—their implementation is complicated. Today in Bangladesh, the combined share of various SSN programmes under “social protection” and “social empowerment” schemes amounts to nearly 15 percent of the fiscal budget or 2.5 percent of GDP—an impressive record for a country with a per capita income less than USD 2,000.

The big question is, how much of the public money is reaching the poorest? To shed light on this question, the Centre for Policy Dialogue (CPD) recently conducted a study in four northern districts of Bangladesh (Gaibandha, Kurigram, Nilphamari and Rangpur) to determine the efficiency of delivery mechanisms of five leading social safety net programmes. These are maternity allowance for poor mothers, primary school stipend programme (PESP), secondary school stipend programme (SESP), employment generation programme for the poorest (EGPP), and old age allowance. The study is timely as the need for a safety net is more profound during the coronavirus pandemic.

The CPD study found that during the Covid-19 pandemic, nearly two-thirds of households that received SSNs are not eligible to receive them! What is so surprising about this finding is that the best available evidence from research also suggests that only about one-third of families in the lowest quintile receive anything from the social safety net. For example, in 2014, the World Bank did a comprehensive study on the coverage of SSN programmes across the developing world and found that only 25 percent of South Asia's poorest receive anything from SSN. For sub-Saharan Africa, the coverage is 20 percent, followed by 28 percent in Middle East and North African countries, and nearly 50 percent in East Asian countries.

It is a no-brainer that corruption is a major cause of the low SSN coverage among the poorest and cracking down on corrupt officials would automatically improve the coverage. Yet, there is no guarantee that fighting corruption would help. Consider an example of an employment generation programme for the poorest (EGPP), which the CPD report found to be a victim of political nepotism. Suppose under the EGPP scheme, the government wants to create 100 jobs for workers in the affected region. The local official is delegated to oversee the EGPP programme.

In reality, less than 100 jobs will be created because the corrupt local official maximises his personal profit when deciding on the number of workers to be employed for the EGPP programme. Since the local official accepts bribes

that in the new equilibrium, there will be less corruption, but there will also be less employment (say 50, half the original number).

Can anything be done to prevent this? An obvious way to achieve a better outcome is by taking away the local official's power to ration jobs. India tried to overcome this problem through an employment guarantee scheme that ensures sufficient funding to provide at least 100 days of paid employment to any rural family that asks for it. Although the scheme provided an annual average of 40 days of employment with significant variation across states, it offered substantial employment to rural households. The crux of the problem is self-selection, which tends to work relatively better than targeting-based programmes.



Group of elderly people waiting to collect their old age allowance in July in the capital's Tejgaon area.

PHOTO: SK ENAMUL HAQ

for each job, his marginal cost of corruption increases with each additional employment as the risk of getting caught is greater. By the same principle, his marginal benefit from each new job decreases because of the law of diminishing returns. In the end, the equilibrium employment level is determined by the interaction of the marginal cost and the marginal benefit curves of the corrupt official.

Suppose the equilibrium employment level is 70. Realising that the actual employment level is lower than initially intended, the government decides to crack down on corruption by raising the local official's corruption cost. In the end, the extra surveillance will increase the marginal cost of the corrupt official such

The five social safety net programmes for which the CPD study found evidence of corruption, nepotism and political misconduct are all targeting-based schemes. The difficulty in delivering social support through a targeting-based system arises because the welfare metric used to define the poor (occupation, dwelling, education etc.) are not static. Someone who is not poor today can become poor overnight due to illness or unexpected income loss, as the coronavirus pandemic has demonstrated. The poor are fragmented and have weak bargaining power, and in the absence of solidarity from non-poor households, they are a target of exploitation by vested groups. Therefore, targeting low-income

# The disconnect between the industry and others

KNOT SO TRUE

RUBANA HUQ

because I realise today, more than ever before, that the huge disconnect between the industry and the “others” exists. In the group of “others,” I most painfully include my friends who are academics and activists who we could have perhaps won over if there were more discourses on trade. For academics, their reports are key; for activists, their protests are critical and for the industry, endorsement from all quarters is essential. In the absence of a well crafted, all inclusive narrative, the industry suffers and ultimately, that impacts the millions of workers in this trade.

Today, I refer to the op-ed authored by Dr Sanchita Banerjee Saxena, Director of the Subir and Malini Chowdhury Center for Bangladesh Studies at the University of California, Berkeley titled “Facade of workers’ safety beginning to show cracks during the pandemic”, published by *The Daily Star* on October 14, 2020. Sanchita Saxena is an excellent academic with whom I have had a connection since the 2013 Rana Plaza incident. I have even had the honour of authoring a chapter in the book *Labor, Global Supply Chains, and the Garment Industry in South Asia: Bangladesh After Rana Plaza*, which was edited by Dr Saxena. Thus, while I have profound respect for the Center and its objectives, the piece came as a surprise against our expectation of high quality and unbiased research.

I found the oped and the report released by the Center for Bangladesh Studies, titled “The Impact of Covid-19 on the Lives of Workers in the Bangladesh Garment Industry”, to have ignored all the positive strides of the industry in order to raise an anti-industry narrative, which doesn't come up with any solution to the problems, but causes significant damage instead. It should be noted that the oped was followed by a webinar which was held couple of weeks ago where stakeholders including BGMEA participated and made a number of clarifications, which were not reflected in the oped for reasons not understood by the industry.

We respect the importance of critics and research that bring critical issues to light, but this report is seen as an attempt to connect with empathy for the workers at

the cost of dishonouring the industry. The op-ed mentions that “84 percent of factories under the Accord have corrected their outstanding structural issues. Covid-19, however, has put a spotlight on just how “safe” workers really are”. Rana Plaza was a collective tragedy from which the industry substantially learnt and improved but while reading a piece that focuses on Covid-19 and the possibility of viral infection at workplaces, I find it difficult to relate these two completely different incidents. Covid-19 is a global phenomenon which has affected all countries and economies more or less at the same time in the same magnitude. It mentions that “Many studies show that this business model, characterised by hyper-flexibility and limited transparency, contributes to increased incidents of sexual harassment and gender-based violence and to overall declines in the mental and physical health of workers”. Let me stress on the fact that Bangladesh is a meagre

spend at least Tk 3,270 per month on a variety of foods to meet their caloric needs; they found, however, that workers really have the ability to spend only about Tk 1,110 a month”. For the sake of argument, assuming the household monthly income of a worker is Tk 19,037 (household income for the month of May as mentioned in the report), and average household size to be 3.99 (as mentioned in the report), the total ability to spend for food is calculated as Tk 4,429 (1,110x 3.99); which means that spending on food is only 23.26 percent of the household income, but multiple study reports show that the share of food expenses on income is not less than 40 percent. So the facts presented in the op-ed are not correct and require cross-verification.

The oped also shared, “...we found that in April, when salaries hit their lowest point, female garmentworkers received only Tk 5,742 and male workers only Tk 7,739 for that month”. This may be noted

protection scheme for the workers. Instead of flagging the importance of such a scheme, the author focused on the importance of living wages—“I think it is high time to revisit the idea of a living wage” (echoing the Clean Clothes Campaign, which said “The severity of this crisis could have been averted if living wages had been paid, and social protection mechanisms had been implemented”). In such a disastrous situation when the industry and economy are affected, wages (minimum or living) come under risk, so how it could avert such situation is difficult to understand. The report does not even bother to think about whether the price paid for an apparel supports living wage, or anywhere near to that!

Finally, the op-ed mentions “In our survey, 90 percent of workers said they did not receive any support from the government during this pandemic”. The question that becomes relevant is—had the government not supported the workers, how could they receive three month wages flawlessly through digital payment, and how were the wages for the month of April paid without having to work for it? This has to be acknowledged as a great support from Prime Minister Sheikh Hasina, which was announced very timely for the sake of protecting workers’ livelihoods. So, “workers did not receive any support from the government” is inaccurate. Also, the lack of reference to critical issues on how the industry survived, after being swamped by cancellations worth more than USD three billion, abrupt discounts, selling goods at deferred payment terms assuming great risk of getting payment, encountering financial losses due to buyers’ bankruptcy, and the 5.5 percent drop in price level in September alone, is surprising.

Would all this SDG and MDG related progress be possible by excluding garment workers? How often do researchers ponder on the unbridled and irresponsible consumerism that encourages purchases of “buy one get one” t-shirts just because it offers great value for money, ignoring the value of the life of someone producing it here?

These are questions worth asking today. With the frequent tag of sustainability requirement coming our way, the conversation on changing the narrative on Bangladesh's industry has to happen this minute. Examining the industry from outside offers limited knowledge. If it's a quest for truth, let us all do a deep dive into the depths of our conscience and figure out what is it that we really can be proud of: the reports, the populism or survival of the millions.

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