

# Lockdown means destitution for them

Bedding artisans struggle to make ends meet as business slows



A group of bedding repairmen chat idly on the street amid lockdown that has brought their business to a grinding halt. This picture was taken in the capital's Mugdapara area recently.

PHOTO: SK ENAMUL HUQ

**SUKANTA HALDER**  
When the Maksud Bedding Store in Dhaka's Nilkhet area is open, Monir, an employee of the retail outlet, could make about Tk 400 for each day's work.

But ever since the store was shuttered on June 28 ahead of the ongoing hard lockdown, his income has hit zero.

That day, Monir was handed Tk 1,000 by his employer to buy daily necessities but that money has since been exhausted, forcing him to borrow from friends to survive.

"I bought rice, lentils, edible oil, and vegetables with the money, which will help us manage for five days at best but don't know what to do next," he said.

Following the recent surge in coronavirus cases, the government decided to impose a week-long strict lockdown across the country from July 1.

As such, all non-essential businesses were

asked to suspend operations for the time being.

When the economy was open, Monir would roam the capital's residential areas with his spinning bow and other materials to find customers looking to buy or repair a quilt, pillow or blanket.

During the pre-pandemic time, he could bring home about Tk 800 daily from this work but things took a drastic turn for the worse after the Covid-19 outbreak last year, when Maksud Bedding Store was forced to comply with a two-month shutdown between April-May.

After the store reopened, Monir could earn just Tk 200 to Tk 300 per day and although his income gradually recovered to an extent, the relief did not last long thanks to the repeated restrictions imposed to curb the deadly pathogen.

The most recent resurgence of Covid-19 infections in March this year and subsequent restriction on public movement has again laid waste to the livelihoods of people like Monir, his

colleagues Abdul Halim and Rabiul Islam, and others involved with the bedding industry.

In the face of dwindling income in 2020, Monir had to borrow Tk 40,000 from one of his relatives with a high interest rate to bear his monthly expenses.

He needs Tk 6,000 per month to buy groceries and other essentials for his family and Tk 4,000 for house rent.

Monir is yet to repay this loan while the high interest is only piling onto the principal amount.

Other artisans and workers in the industry have faced a similar struggle ever since the pandemic hit Bangladesh with the recurrent shutdowns and economic slowdown having significantly affected the demand for bedding items.

Before the pandemic began, official and unofficial bedding businesses would collectively register nearly Tk 1,000 crore in annual sales but soon after the advent of Covid-19, demand slumped by around half.

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## SUPPLY CHAIN FINANCE

# Unlocking working capital problem of small businesses



PRASHANTA KUMAR BANERJEE

Everybody is concerned about the second wave of Covid-19. Cottage, micro, small and medium enterprises (CMSMEs) have already been affected severely. In a survey conducted by the Bangladesh Bank, 45 banks opined that SMEs were dreadfully affected by the first wave.

The pandemic reduced the supply of products of the SME sector ranging from agriculture to manufacturing by any percentage between 13 per cent and 32 per cent in 2020. In addition, physical distancing and restriction on travel shifted the traditional mechanism of the supply chain process (SCP) with respect to choices, places and techniques of sourcing supplies.

Buyers are increasingly pressuring suppliers to buy on open account credit terms and getting more credit periods in local and international trade. Further, buyers now usually fail to pay money on the due date and even default in some cases.

Production units in the CMSMEs sector, therefore, are facing tremendous challenges in managing their working capital. To this end, apart from the utilisation of stimulation package by genuine enterprises, supply chain finance (SCF) might also be helpful.

The SCF is an evolving financial service using various services such as factoring, reverse factoring, distributor finance, loan or advance against inventory and pre-shipment finance. It enables sellers to get finance for credit sale immediately after delivering products and services at a lower cost with no collateral and minimal documentation.

In contrast, buyers will get a comfortable credit period to pay money to financiers or suppliers. The finance provided by banks and financial institutions (FIs) under the SCF explicitly depends on the amount of sales and is linked to the quality of

a supplier's accounts receivable rather than supplier's overall creditworthiness. It, therefore, allows high-risk suppliers to transfer their credit risk to their high-quality buyers.

The SCF is not a widely used financial service in Bangladesh. It is mostly confined to the urban areas to a limited number of CMSME suppliers.

The portfolio size of SCF of banks and FIs in Bangladesh is only about \$102 million, although the total estimated market size is around \$6-8 billion. Around 90 per cent of the market is captured by FIs, and the remaining portion goes to banks' portfolios. Hence, banks and FIs may plan to offer SCF more extensively to all sectors, particularly CMSMEs.

Agriculture and allied fields might be a prospective area for SCF. We need to promote agriculture and agribusiness to fulfil our vast local demand first and if possible, to export. In this regard, the value chain system and the SCF are required to play a complementary role.

In the value chain system, farmers need to be part of a chain in which everything can be identified to have the right information to tap into the growing urban-based local and global market.

However, buyers' preference, irrespective of local or foreign, to buy on credit creates a severe working capital problem for agri-suppliers as most of them are financially weak. Hence, SCF can assist the suppliers



## OPINION

through financing immediate after selling their products on credit.

It is heartening that a few FIs have started to offer SCF to the supplies of agri-products even in remote areas by securing a guarantee from reputed local buyers. Banks may come up to provide SCF to agri-suppliers by using their huge online network.

The government has launched an online platform for buying food grains and agricultural products. Immediate funds can be given to suppliers for selling products to the government on credit against consent or guarantee letter from the authorities.

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## GLOBAL BUSINESS

# EU's planned digital levy to cover hundreds of firms: official

REUTERS, Brussels

A digital levy to be proposed by the European Commission in the coming weeks to fund its recovery from the Covid-19 pandemic will apply to hundreds of companies, the majority of them European, its executive vice-president Margrethe Vestager said.

In a bid to fire up growth and foster a greener and more digital economy, the 27 European Union countries last year agreed to jointly borrow 750 billion euros (\$887 billion) for a post-pandemic recovery fund.

The borrowing, by the European Commission on behalf of EU countries, is to be repaid over 30 years from new taxes, among them levies on the digital economy and on CO2 emissions.

Vestager welcomed the Organisation for Economic Cooperation and Development (OECD) agreement clinched on Thursday on new rules on where companies are taxed and a tax rate of at least 15 per cent but she said the EU would proceed with its digital levy – although she did not say how much the levy would be.

"If we can get this fully endorsed and implemented and tax authorities have the resources actually to claim the taxes, well, then some of the companies which pay very little or nothing in taxes today, they will contribute in the societies where they do their business," she told Reuters.

She said the EU digital levy had different objectives to the OECD tax deal and the scope of the levy was "so much wider, just as a matter of principle it is a levy, it is not a tax."

"Where the OECD agreement is for the 100 biggest companies, this is for many, many more companies," she said, adding that the levy would mostly affect European firms but others would also be affected.

"I do appreciate that for a company, no matter what you call it, it's a cost," she said, adding that companies should see it as a normal cost of doing business in Europe.

She declined to provide details on which companies would be affected or the size of the levy. The Commission has rescheduled the tentative date for the announcement to July 20 from July 14, which may still change, a Commission source said.

# White House worried about high oil prices, sees enough production capacity

REUTERS, Washington

The White House said on Friday it is concerned about the impact of rising oil prices on US consumers but believes producers have ample ability to pump enough crude.

"Currently we believe that there is enough spare oil production capacity globally," White House Press Secretary Jen Psaki told reporters.

"Because of the restart of (the) global economy and resumption of normal consumer activity there is some impact on oil market conditions," she said.

Psaki did not answer a question about whether anyone in the Biden administration had spoken with allies engaged in OPEC+ talks about whether to increase oil output.

OPEC+, a group of producers including Saudi Arabia and the United Arab Emirates, which are OPEC members, and Russia and other countries, extended talks on Friday about whether to ease production cuts that had been put in place earlier in the coronavirus pandemic.



Crude oil storage tanks are seen in an aerial photograph at the Cushing oil hub in Cushing, Oklahoma, US on April 21, 2020.

REUTERS/FILE

The UAE blocked a deal, which could delay plans to pump more oil through the end of the year. Russia recommended delaying the talks by one or two days, sources said late on Friday.

US West Texas Intermediate crude CLC1 futures were up 1 cent \$75.34 a barrel, having jumped 2.4 per cent on Thursday to close at their highest since October 2018.

In April, US Energy Secretary Jennifer Granholm said on Twitter that she had called on Saudi Arabia to keep energy affordable for consumers. After the call, OPEC+ agreed to gradually ease production cuts from May.

The Department of Energy did not immediately respond to a request for comment on whether Granholm would repeat the call this time.

Psaki said President Joe Biden had opposed raising a gasoline tax in the infrastructure bill because of concern about consumers.

US crude production is about 11 million barrels per day. It peaked in January 2020 at nearly 13 million bpd.

# 200 businesses hit in cyberattack on computer tool

AFP, San Francisco

A computing network management tool by Kaseya was under cyberattack on Friday, prompting the US IT company to urge businesses to shut down servers to avoid ransomware.

Cybersecurity firm Huntress Labs said in a Reddit forum that it was working with partners targeted in the attack, and that some 200 businesses "have been encrypted."

"Ransomware attacks typically involve locking away data in systems using encryption, making companies pay to regain access."

Kaseya describes itself as a leading provider of IT and security management

services to small- and medium-sized businesses, meaning an attack would make them targets going into the Independence Day holiday weekend in the United States.

"We are in the process of investigating the root cause of the incident with an abundance of caution but we recommend that you immediately shutdown your VSA server until you receive further notice from us," Kaseya said in a message shared in a Reddit forum.

"It's critical that you do this immediately, because one of the first things the attacker does is shutoff administrative access to the VSA."

"VSA is the company's flagship offering,

designed to let companies manage networks of computers and printers from a single point.

The company lists a US headquarters in Florida and an international headquarters in Ireland. Kaseya said in a post that the apparent cyberattack may have been limited to a "small number" of its customers.

The US Cybersecurity and Infrastructure Security Agency (CISA) put out word that it is "taking action to understand and address the recent supply-chain ransomware attack" against Kaseya VSA and the service providers using its software.

CISA called on businesses to follow Kaseya's guidance and quickly shut down VSA servers to avoid having systems

compromised.

The UN Security Council this week held its first formal public meeting on cybersecurity, addressing the growing threat of hacks to countries' key infrastructure -- an issue US President Joe Biden recently raised with Russian counterpart Vladimir Putin.

Several Security Council members acknowledged the grave dangers posed by cybercrime, notably ransomware attacks on key installations and companies.

Multiple US companies, including the computer group SolarWinds, the Colonial oil pipeline and the global meat giant JBS, have recently been targeted by ransomware attacks.