



Banks were asked by Bangladesh Bank to run operations on a limited scale yesterday despite it being Saturday, a weekend, to enable customers to settle financial transactions ahead of Eid-ul-Fitr. The largest religious festival of Muslims is scheduled to be celebrated either on May 2 or May 3 depending on the sighting of the moon. However, a lower number of transactions took place than the usual at this corporate branch of Sonali Bank in Chattogram city's Agrabad. PHOTO: RAJIB RAIHAN

84pc factories clear Eid bonus

Garment owners pay all dues: BGMEA

STAR BUSINESS REPORT

Around 84 per cent of factories across Bangladesh completed distributing festival bonuses to their workers as of yesterday in anticipation of the Eid holidays which are set to begin today, according to data from Industrial Police.

Besides, about 53 per cent of all manufacturing units have paid their workers half their due wages for the month of April in advance as instructed by the government.

"Similarly, almost all garment factories have paid festival bonuses and 15 days' salary to their workers," said Nazma Akter, president of Bangladesh Sammilito Garment Sramik Federation.

"In many cases, garment factories are even paying salaries for the full month or at least 20 days," she told The Daily Star.

Monnujan Sufian, state minister for labour and employment, previously instructed industry owners to disburse festival bonuses and their workers' salaries for March and April before the Eid holidays began on April 29.

Sufian also asked factory owners to follow the dates set by the government for public holidays on the occasion of Eid-ul-Fitr.

"But if anyone wants to run their factory on an emergency basis, they should do so in consultation with the workers if necessary," the state minister said.

She then urged industry owners to ensure payment of their employees of at least 15 days in case they are unable to pay the full salary for April.

"However, all arrears, partial or full salaries and Eid bonuses must be paid by April 28 as the public holiday starts on April 29," she added.

Sufian went on to say that the instruction was applicable for all formal, informal, public and private companies and enterprises.

Sirajul Islam Rony, a former workers' representative on the minimum wage board for garment workers, said all apparel factories have already paid festival bonuses to their workers.

Regarding the payment of 15 days' salary, he said many factories have done as instructed while others have paid that of 20 days or even of the whole month.

Echoing the same, Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said some 99.75 per cent of the garment units have paid their workers' salaries for 15 days of April.

In addition, the workers have been

allowed staggered and zone wise holidays so that they do not face any transport crisis, Hassan added.

Industrial Police estimate that there are 9,176 industrial and manufacturing units across the country.

Their records show that there are some 1,615 members of the BGMEA, 685 members of the Bangladesh Knitwear Manufacturers and Exporters Association, and 338 members of Bangladesh Textile Mills Association.

Apart from those that manufacture textile and garment items, there are around 384 other factories housed in various economic zones of Bangladesh Export Processing Zones Authority alongside 83 jute mills across the country, as per Industrial Police estimates.

In addition, there are some 6,107 industrial and manufacturing units in other categories across Bangladesh.

Entravision MediaDonuts opens office in Bangladesh

STAR BUSINESS REPORT

Entravision MediaDonuts, a Singapore-based online advertising and technology company, has opened an office in Bangladesh as part of effort to continue its expansion in Asia in the second quarter of 2022.

With this, the company is now operational in eight countries in Asia, said the company in a press release.

The media and advertising industry in Bangladesh has grown significantly in the last few years, the company said quoting research data.

Internet penetration in Bangladesh is currently at 31 per cent, meaning the country has 53 million connected consumers and the number is continuously growing in double digits, it said.

"...an incredible opportunity for advertisers to connect with the GenZ and millennial audiences through the wide range of performance and social advertising solutions..." said Pieter Jan de Kroon, chief executive officer and founder.

French growth crashes to zero in first quarter

AFP, Paris

The French economy flatlined in the first quarter as households reduced their consumption due to rising inflation and the war in Ukraine, the national statistics agency said Friday.

The zero-growth result was weaker than the INSEE agency's pre-war forecast of a 0.3 per cent expansion, underlying the economic difficulties faced across Europe.

The French annual inflation rate also accelerated to 4.8 per cent in April, up from 4.5 per cent the month before, INSEE said in a separate statement.

"Gross domestic product is at a standstill ... it bears the mark of the two combined external shocks (Covid and the Omicron variant in January, then the war in Ukraine that strengthened inflation)," INSEE economist Julien Pouget wrote on Twitter.

The figure puts an end to France's strong economic rebound from the Covid-19 pandemic and poses a challenge to President Emmanuel Macron, who was re-elected last weekend.

Economic growth had been clocked at 0.8 per cent in the last quarter of 2021 and 3 per cent in the third. European economies have been badly affected this year by supply problems linked first to the pandemic, then the war in Ukraine -- as well as sanctions imposed on Russia following its February 24 invasion of its neighbour.

Figures also released Friday showed that the eurozone's GDP growth slowed to 0.2 per cent in the first quarter, with a Germany eking out a similar gain as it avoided a second consecutive quarterly contraction.

High growth in manufacturing MFS providers in a costly battle

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The number of large establishments declined, still their share of total employment increased which implies a rise in average employment per unit.

The second concern is that total employment in MSM has declined.

It is also observed that the large establishments have a much higher share of female employment compared to MSM. Lack of women's employment in MSM in local areas may work against the scope of women's employment growth and discourage their labour force participation.

DS: What observations can be made on the trend of wages from the SMI data?

Rushidan Islam Rahman: SMI provides data on the total wage/salary bill of enterprises. It is observed that out of total salary/wage/benefits paid, the large industries' share is about 74 per cent, which implies their overwhelming control of the paid employment market. Moreover, the share has increased from 61 per cent in 2006.

The other important observation is that over this seven-year period, the increase in salary/wage payment was 17.6 per cent, which is rather low if one thinks of the inflation over this period. This is only a small fraction of the increase over the previous inter-survey period, which was 221 per cent.

DS: Can we use SMI data to make observations on wage/salary per worker?

Rushidan Islam Rahman: The SMI does not provide data on the number of paid workers, and thus wage/salary per worker cannot be calculated. In future, this data should be collected and reported.

In the absence of data on per person salary/wage, I have done some calculations of wage/salary per person engaged (including all types of employment) in large establishments. Assuming a low share of unpaid/family employment in such units, the average will be close to salary/wage per paid employee. This average has increased by 30 per cent over the seven-year period from 2011 to 2018. This is lower than the total inflation during this period indicating a decline in the real wage.

DS: Which sectors emerged as important in this round of SMI?

Rushidan Islam Rahman: The top rank was maintained by readymade garments as expected. The next two are food processing and cotton textile, same as the ranks in 2011. The diversification of subsectors has been low.

DS: What is the overall assessment of the emerging trends and what type of policy directions follow?

Rushidan Islam Rahman: To sum up, between 2011 and 2018, the growth of value added in this sector has been remarkable, but employment growth was very small. Large industries dominate not only in the growth of output but also in the growth of employment. Employment per large

unit increased considerably, accompanied by a decrease in the number of enterprises in this group, depicting increased concentration and scaling up. A decreasing number of large enterprises controlling manufacturing sector growth and employment, if it is to continue unabated, may cause a further slowdown of employment growth and worsen the already high-income inequality in the country.

The MSM establishments did not succeed in creating jobs. The efforts at revitalising the MSM must look for new policy instruments. While the SME development policies of the government have proposed many relevant areas of improvement, these need to be seriously pursued.

In addition, the local constraints that discourage the entry of new small enterprises can be identified if one considers issues beyond those highlighted by the existing enterprises. One must bear in mind that the constraints identified by the running enterprises may not reflect the reality faced by the failed ones or the discouraged entrepreneurs. There is also a need for serious soul searching on how to encourage the growth of both large and small units in more labour-intensive sub-sectors.

I also wish to take this opportunity to suggest that the SMI is conducted more frequently and the results are published within a year which will enable quick policy response.

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and bKash costumers get Tk 500 and Tk 200 respectively, according to an official of the lifestyle brand.

About 50 per cent of the cashback is borne by the store while the rest 50 per cent comes from the MFS operator being used.

"It's a win-win situation...we both can attract customers with such offers. But the ultimate winners are the customers," said the official.

Industry insiders said the battle between digital payment providers is still centred on customer acquisition as such services are set to rule the roost of the future payment systems.

According to global data firm Statista, the total transaction value in the digital payments segment is projected to reach \$9.48 billion by the end of 2022 and \$17.86 billion by 2026.

During this Eid, the top MFS providers are giving cashbacks ranging from 5 per cent to 40 per cent for payments through their platforms to various lifestyle brands, retail shops, super shops, restaurants, and online marketplaces, such as F-commerce.

Now bKash has brought cashback offers of up to 20 per cent at around 10,000 retail outlets and Nagad up to 35 per cent cashback or discounts

at more than 4,000 outlets. The tap is also providing such discounts at hundreds of shops.

The cashback or discount battle for customer acquisition intensified ever since Nagad entered the market in 2018, and platforms are burning huge amounts of money in the process.

For example, bKash was profitable from 2014 to 2018 but has continuously made losses since 2019, when Nagad entered the market.

Shamsuddin Haider Dalim, head of corporate communications at bKash, said the company's main purpose of offering discounts and cashbacks, including those during festive seasons, was to encourage customers to pay digitally.

He went on to say that bKash offers discounts and cashbacks as part of its campaign to augment digital literacy and awareness.

Dewan Nazmul Hasan, chief executive officer of tap, said they were trying to establish digital payments as a service than can help turn Bangladesh into a truly "cashless" society as per the national goal.

"If our customers find the benefit of using their e-wallet in day-to-day transactions, then merchants, transport services and so on will also accept digital money as payment, which will develop the total cashless

ecosystem," Hasan added.

M u h a m m a d Zahidul Islam, head of communications at Nagad, said the digital payment market was at a stage of growth where incentives were necessary to bring more users into digital payment platforms.

"We want to popularise Nagad's digital payments and retain our customers by offering discounts and cashbacks," he added.

However, Rocket, the country's third-largest MFS provider which is owned by Dutch-Bangla Bank, does not give such offers very often.

An official of the bank earlier this year told this reporter that they do not subsidise Rocket and only invest in the MFS provider from their annual profits.

Although bKash, Nagad and tap say they bear no more than 50 per cent of these discounts, analysts think it costs them a lot.

"The cost of customer acquisition is very high for MFS providers and will make their sustainability a challenge," said Ahsan H Mansur, executive director of Policy Research Institute (PRI).

The largest MFS provider in Bangladesh, bKash, has been receiving strong backing from global investors. The company received investments from World Bank's International Finance Corporation in 2013, the Bill & Melinda Gates Foundation in 2014,

and Jack Ma's Ant Group in 2018.

It also secured the backing of SoftBank Group's Vision Fund as visionary venture capitalist Masayoshi Son's SoftBank took a 20 stake with \$250 million.

Brac Bank, one of top local banks, holds the majority of the stakes of bKash.

The tap also has a strong backing of Trust Bank and Axiata Digital Services Sdn Bhd, Malaysia, which owns Robi, the second-largest mobile network operator in Bangladesh.

Nagad, which runs itself as a wing of the postal division and conducts operations on the basis of an interim licence from Bangladesh Bank, has no such financial backing from any conglomerate.

"Nagad's owners invested heavily in it as such a digital start-up has high potential. The market value of Nagad has now become larger than the investment," said an official of the company.

PRI Executive Director Mansur said every MFS provider should be regulated strongly or else the government would have to bear the responsibility of compensating customers if any company defaults.

"If an unregulated MFS company collapses after so much investment, the downfall would be a mammoth one," he added.

Job growth in manufacturing plunges

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Because of a lack of proper capital accumulation, the number of medium industries has decreased over the years, she said.

"If we want to increase manufacturing sector jobs, the government should come forward to ensure the flow of capital for investment in the medium-sized firms."

The survey was conducted before the coronavirus pandemic struck. If a survey is carried out now, it will show a more depressing scenario, since most factories were kept shut for at least two months after the virus arrived on the shores of the country in March 2020.

"The unemployment rate might have increased now," said Prof Bidisha, also the research director of the South Asian Network on Economic Modelling.

"Unskilled and women workers are losing jobs as they can't adjust to the changing atmosphere."

Rushidan said large establishments have a much higher share of female employment compared to MSMS.

"Lack of women's employment in MSMS in local areas may work against the scope of women's employment growth and discourage their labour force participation."