



Workers play a significant role in the three pillars of Bangladesh's economic development namely agriculture, garments and remittance, says an expert. PHOTO: STAR/FILE

# Labour force a key driver of economic success: economists

## STAR BUSINESS REPORT

Bangladesh's labour force has been a key driver of the country's transformation from a "bottomless basket" to a middle-income country, economists said yesterday.

Labour plays a significant role in the three pillars of Bangladesh's economic development, namely agriculture, export-oriented garments and remittance, according to Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office in Geneva.

"Although technology and entrepreneurs also contributed significantly, labourers were the real hero," he said.

His comments came at an unveiling ceremony for a book called "Bangladesher Orthanaitik Unnayaner Gatidhara", held at the Bangladesh Institute of Development Studies (BIDS).

The book is authored by Rushidan I Rahman, Rizwanul Islam and Quazi Shahabuddin. The event was organised by BIDS, the Centre for Development and Employment Research (CDER) and University Press Ltd (UPL).

Rice production soared 2.5 times between 1980-81 and 2015-16 and most of the paddy fields are now high yielding varieties.

"This increase in production needs higher amounts of labour," Islam said while giving a brief on the book.

Garment exports and remittance are also mainly the contributions of labourers, he added.

Islam went on to say that the economy is facing a challenge of ensuring higher investment and diversifying export items.

Besides, the investment to GDP ratio needs to rise to 41-47 per cent from the 32 per cent at present to meet the target of being a high-income country within 2041.

Meanwhile, the Covid-19 pandemic, Ukraine-Russia war and tension of global economic recession only adds to the list of challenges, he said.

Mashiur Rahman, adviser to the prime minister on economic affairs, acknowledged that labour has been the main driver of Bangladesh's GDP growth.

The country's labourers have a psychology to rebound in any tough situation and this resilience is a positive.

"So, their activity strengthens our economy," he said.

Quazi Shahabuddin, former director general of BIDS, said the rise in rice production and improvement in distribution has helped Bangladesh achieve significant success in food security.

However, import dependency on pulses and edible oil remains and this has adversely impacted the nutrition of poor people.

"To ensure sustainable food security, the government needs to take multiple steps," Shahabuddin added.

Bangladesh's GDP growth rate is rising but job creation is going at a slower pace.

"So, the government needs to focus on job creation," said Rushidan I Rahman, executive chairperson of the CDER.

"In addition, female participation in jobs is still low and many of them drop out after joining once so there is also a need for psychological change in society," she added.

Labour highly contributed towards the country's economic development but policy support from the government was also a significant factor, said

Binayak Sen, director general of BIDS.

The government has given a number of policy support since 2010 to boost investment, export and GDP growth.

On the other hand, domestic consumption driven economic support was also high, he added.

Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre, said Bangladesh's people have resilience, which is a key positive side, but they are victims of unjust distribution of benefits.

The labourers, who are the main drivers of our economy, are failing to enjoy quality education and health services, he added.

GDP growth and wealth disparity rose in Bangladesh in a parallel way and the disparity is rising, said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

"So, the government should focus on it," he added.

Planning Minister MA Mannan spoke as chief guest while Ahsan H Mansur, executive director of the Policy Research Institute, Abdul Mazid, former chairman of the National Board of Revenue, and Kazi Iqbal, senior research fellow of BIDS, were also present.

## BB sets aside Tk 200cr for flood-hit farmers

### STAR BUSINESS REPORT

Bangladesh Bank has set aside Tk 200 crore to help farmers in six flood-affected districts overcome their losses, according to a Bangladesh Bank circular issued yesterday.

The funds will come from an existing Tk 3,000 crore refinance scheme aimed at providing low-cost loans to farmers with a view to supporting production amid the coronavirus pandemic.

The six districts where farmers can avail the loan are: Sylhet, Sunamganj, Moulvibazar, Habiganj, Kishoreganj and Netrokona.

Of the Tk 3,000 crore fund to be disbursed by banks, each lender should allocate at least 20 per cent of any undistributed amount of their respective targets as loans for flood-affected farmers, the circular said.

Bangladesh Bank went on to say the loans should be disbursed quickly considering the actual need of agriculture and livestock farmers while the recovery of previous disbursements should be set aside for now.

The central bank said the recovery of agricultural loans from affected farmers in these districts should be suspended for six months after the issuing date of this circular.

Similarly, the recovery of loans from farmers who received bank credit through microfinance institutes should be suspended for six months as well, it added.

Bangladesh Bank further outlined that the loan rescheduling facility can be provided by relaxing the conditions of the down payment. However, the loan can be rescheduled without any down payment considering the extent of the farmer's loss.

Apart from this, even if the instalment of previously given loans are overdue, new facilities have to be provided at the farmer level.

## 94pc SMEs saw sales drop for Covid SME Foundation says

### STAR BUSINESS REPORT

Sales of some 94 per cent of small and medium enterprises (SMEs) dropped during the pandemic and some 21 per cent faced closure, leading to around 37 per cent of employees losing jobs, revealed SME Foundation yesterday.

Some 70 per cent of employees were at risk of losing their jobs, said Md Mofizur Rahman, the foundation's managing director.

He was addressing a seminar on "Rethinking MSME Finance: A Post-Crisis Policy Agenda" jointly organised by SME Foundation and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in Dhaka.

He also said some 83 per cent of the enterprises incurred losses and some 33 per cent could not repay loans.

Rahman suggested providing more stimulus packages or enabling easy loans for the recovery of the cottage, micro and SMEs from the pandemic's severe fallout.

## New VAT likely for handsets

### FROM PAGE B1

bandwidth sale at different stages of the supply chain, each time charging 5 per cent.

The bandwidth is sold by the submarine cable company to International Internet Gateway (IIG) service providers, then to internet service providers (ISP) and finally to end customers.

"So, if the government increases VAT at retail level, the total VAT would be over 20 per cent from the industry," he added.

The number of broadband internet connections has doubled to 1.99 crore since the pandemic, with a vast number of people now heavily reliant on the internet, propelled by work from home practices and remote learning.

Md Emdadul Hoque, president of the Internet Service Providers Association of Bangladesh (ISPAB), said despite the pandemic-induced growth, broadband penetration in the population now stands at 7 per cent, one of the lowest in the South Asian region.

"If there is additional VAT, the broadband penetration growth will slow, creating a negative impact on the economy as internet use has a significant contribution to the GDP," said Hoque.

He said it would not be possible for the ISPs to sell the internet at the flat one country, one rate if the VAT rate increases.

The telecom regulator, Bangladesh Telecommunication

Regulatory Commission (BTRC), fixed the maximum tariff for broadband internet connection in June last year.

A customer now must pay Tk 500 a month for using a broadband connection with a minimum internet speed of 5 Mbps.

"Over the last two years broadband internet use surged and the government collection of VAT increased due to that. If the government refrains from increasing the VAT, the number of customers will grow, ultimately contributing to the government exchequer," he said.

The local booming mobile manufacturing and assembling industry players said they would be hurt with any imposition of VAT as sales have fallen by over 20 per cent this year, with people reluctant to make purchases amidst surging inflation.

"This will undermine the government's effort to boost local manufacturing of mobile phones," said Zakaria Shahid, managing director of Edison Group, the parent company of Symphony.

Currently, about 90 per cent of the demand for smartphones is met by 14 local manufacturers.

Although the pandemic has accelerated the adoption of digital technologies, smartphone penetration in Bangladesh still stands below 50 per cent of mobile phone users due to their high price and a lack of affordability

among people.

Shahid said the prices of devices were already on a rising trend due to surging dollar prices and this additional VAT would compel customers to pay around 15 per cent more for a phone.

Mohammad Mesbah Uddin, chief marketing officer of Fair Electronics, Samsung's local assembly partner, said the mobile phones had now become an essential item for people and a VAT imposed at the retail level would devastate users.

"As prices of everything are rising, the government should refrain from hurting customers further with this VAT," he added.

## Global tech giants may

### FROM PAGE B1

revenues generated by the companies in the country.

It also said the companies must complete their VAT registration with the NBR – a process that is mandatory under the Value Added Tax and Supplementary Duty Act, 2012.

The finance ministry official said the latest measure to bring tech companies under the rule of mandatory submission of tax returns has been considered in line with the High Court directive.

Various countries have already brought multinational tech companies under their tax net.

## Meena Bazar opens outlet in NAM Bhaban

### STAR BUSINESS DESK

Supermarket chain Meena Bazar, a subsidiary of Gemcon Group, has launched its 16th outlet in NAM Bhaban-2 on Manik Miah Avenue in Dhaka.

Jatiya Sangsad Speaker Shirin Sharmin Chaudhury inaugurated the outlet on Saturday, said a press release.

Deputy Speaker Md Fazle Rabbi Miah, Chief Whip Noor-E-Alam Chowdhury, Kazi Nabil Ahmed, a parliament member and vice-chairman of Gemcon Group, Kazi Inam Ahmed, director of Gemcon Group, and Shaheen Khan, chief executive officer of Meena Bazar, were present.

## Banks' provision

### FROM PAGE B1

Default loans in banks surged 19.3 per cent year-on-year to Tk 113,441 crore in the first quarter of 2022.

Between January and March, the shortfall rose due to the lacklustre performance of eight banks, which had a combined deficit of Tk 20,863 crore.

The banks are Agrani, BASIC, Janata, Rupali, Bangladesh Commerce, Mutual Trust, National and Standard.

Some of the banks which are now facing shortfalls earlier had suffered widespread loan scams. Of the lenders, Janata Bank faced the highest provision shortfall of Tk 8,136 crore mainly due to

a large scam taking place at the bank in the last couple of months. Some persons and entities such as AnonTex and Crescent groups earlier siphoned off a large amount of funds from Janata Bank in the name of taking loans, dealing a blow to the financial health of the lender.

Contacted, Md Abdus Salam Azad, managing director of Janata Bank, said the provision shortfall of the lender had decreased in recent months, standing at Tk 10,491 crore in December last year.

He went on to hope that the shortfall would be further lessened in the days to come as they were now gearing up the loan recovery process.

## 50 types of services

### FROM PAGE B1

The office of the chief controller of imports and exports under the commerce ministry is now providing 100 per cent services online, Munshi said, adding that the traders

can now avail these services online sitting at home.

"This is a great success for the government. The digital online services of Digital Bangladesh will help the businesses go a long way," he said.



Shirin Sharmin Chaudhury, speaker of Jatiya Sangsad, cuts a ribbon to inaugurate Meena Bazar's 16th outlet on Manik Miah Avenue in NAM Bhaban-2, Dhaka recently. PHOTO: GEMCON GROUP

## Govt to shelve

### FROM PAGE B1

beneficiaries under the old-age allowance scheme, if any. The government is, however, going to increase the number of beneficiaries and the monthly allowance under the insolvent disabled person allowance programme.

At present, about 20 lakh beneficiaries receive support under the initiative. Their number will be raised to 23 lakh, while the monthly allowance will go up to Tk 100 to Tk 850, sources said.

Similarly, the number of beneficiaries under the maternity allowance programme dedicated to poor lactating mothers will go up to 12.75 lakh from the present 10.45 lakh in the

next fiscal year starting on July 1.

The allowance and the number of beneficiaries under other major social protection programmes are unlikely to see upward revisions in the upcoming national budget.

This is because the government is going to undertake an extensive food-based programme to support the poor, said officials.

The poor have been hit hard by higher prices of basic essentials due to a spike in inflation caused by elevated commodity prices stemming from the Russia-Ukraine war, supply disruptions and the dragging pandemic.

So, the subsidy for food will be increased to Tk 6,745

crore in the new budget, up from Tk 5,500 crore in the revised allocation for the current fiscal year.

Despite higher allocation, the total social safety net budget in Bangladesh will be below 3 per cent of gross domestic product. In the current fiscal year, the allocation stands at 3.11 per cent of the national output.

According to the new base year of 2015-2016, the size of GDP has expanded significantly.

In 2022-2023, the size of GDP will be Tk 43,63,526 crore in the current price, up from Tk 34,56,040 crore in the current fiscal year as per the 2005-06 base year and Tk 38,95,483 crore as per the new base year.