



Presented by

Syed Yusuf Saadat

Senior Research Associate

Centre for Policy Dialogue (CPD)

Digital Platform

Economy in Bangladesh

Opportunities and Challenges

Virtual Dialogue

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1. Introduction

1.1 Rise of digital platforms

- Digital platforms have become a **quintessential part of the modern economy**
 - They have **revolutionized many sectors**, including housing, retail and transportation
 - **New types of transactions**, such as ride-sharing and home-sharing, as well as new modes of working, such as freelancing, have become possible due to digital platforms
- **Globally, over 70 million workers** are registered with these digital platforms that ease remote working
- The digital platform economy has been growing rapidly and has **facilitated spending of around USD 126 billion in 2018**
- Around 0.5 per cent to 2 per cent of the workforce from the Organisation for Economic Co-operation and Development (OECD) member countries are involved with these digital platform companies

1.2 Bangladesh on digital platforms

- In the last couple of years, Bangladesh has also seen rapid growth in internet connectivity as well as some supporting measures for digital entrepreneurs
- **Bangladesh is now the second largest supplier of online labour in the world, with a 16% share of the global online workforce**
- Recently, the number of online workers from Bangladesh has increased in creative and multimedia platforms

1.3 Definitional issues

- **Unfortunately, a universally accepted definition of the digital platform economy does not exist**
- *Multisided platforms exist wherever a company brings together two or more distinct groups of individuals that need each other in some way, and where the company builds an infrastructure that creates value by reducing distribution, transaction, and search costs incurred when these groups interact with one another.*
- Many e-commerce websites represent the online outlets of businesses that also have brick-and-mortar stores
 - This makes it **difficult to draw the line** in terms of establishing how much of e-commerce is part of the digital platform economy and how much of it is actually an online version of the real economy.

1.4 Common features of digital platforms

- i. Digital matching** of buyers and sellers through the internet, often through algorithms that track past online actions
- ii. Low entry costs** that allow small sellers to easily come to the market and compete with larger sellers
- iii. Ex-post screening** through reviews and ratings of products and services by previous buyers
- iv. Non-exclusive and short-run contracts** allowing workers to work for multiple clients at the same time for relatively shorter durations than formal employment
- v. Direct transactions** of money between buyers and sellers

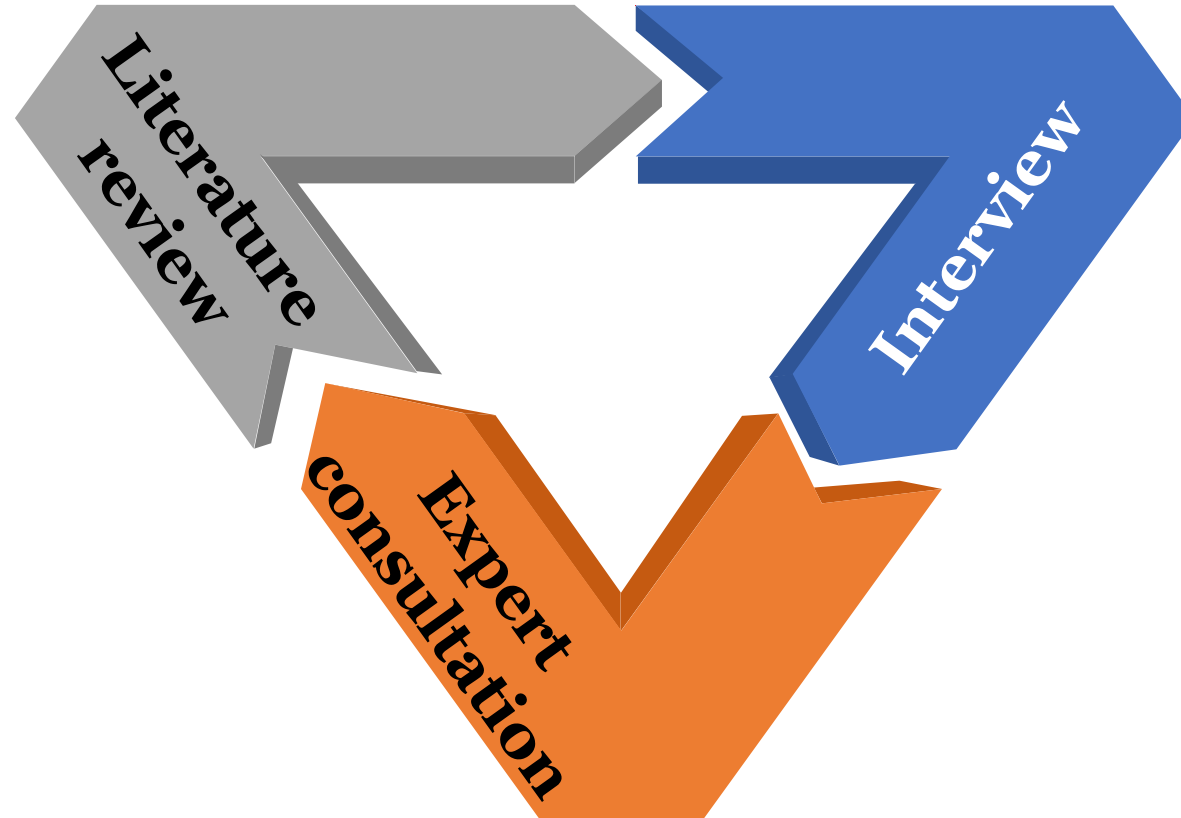
1.5 Study objectives

- i. To understand the **status of the digital platform economy** in terms of its size and contribution to employment and economic growth
- ii. To assess the **bottlenecks** for further expansion of the digital platform economy in the country
- iii. To explore how different sections of the population **benefit** from digital platformisation
- iv. To suggest **policy recommendations** to overcome the constraints to further expansion of digital platforms

2. Methodology

2.1 Methodology of data collection

Policy documents, reports and datasets published by various national and international organisations



Key Informant Interviews (KIIs) with key stakeholders from e-CAB and BASIS

Expert Group Meeting (EGM) with representatives from e-CAB, (BASIS), Shohoz, Evaly, Daraz Bangladesh, ASIX, Foodpanda Bangladesh, Sheba XYZ, Shikhbe Shobai, Pathao Limited, Othoba.com, Bproperty.com Ltd., Rokomari and Uber

3. Digital Platform Economy Around the World

3.1 Importance of digital platforms

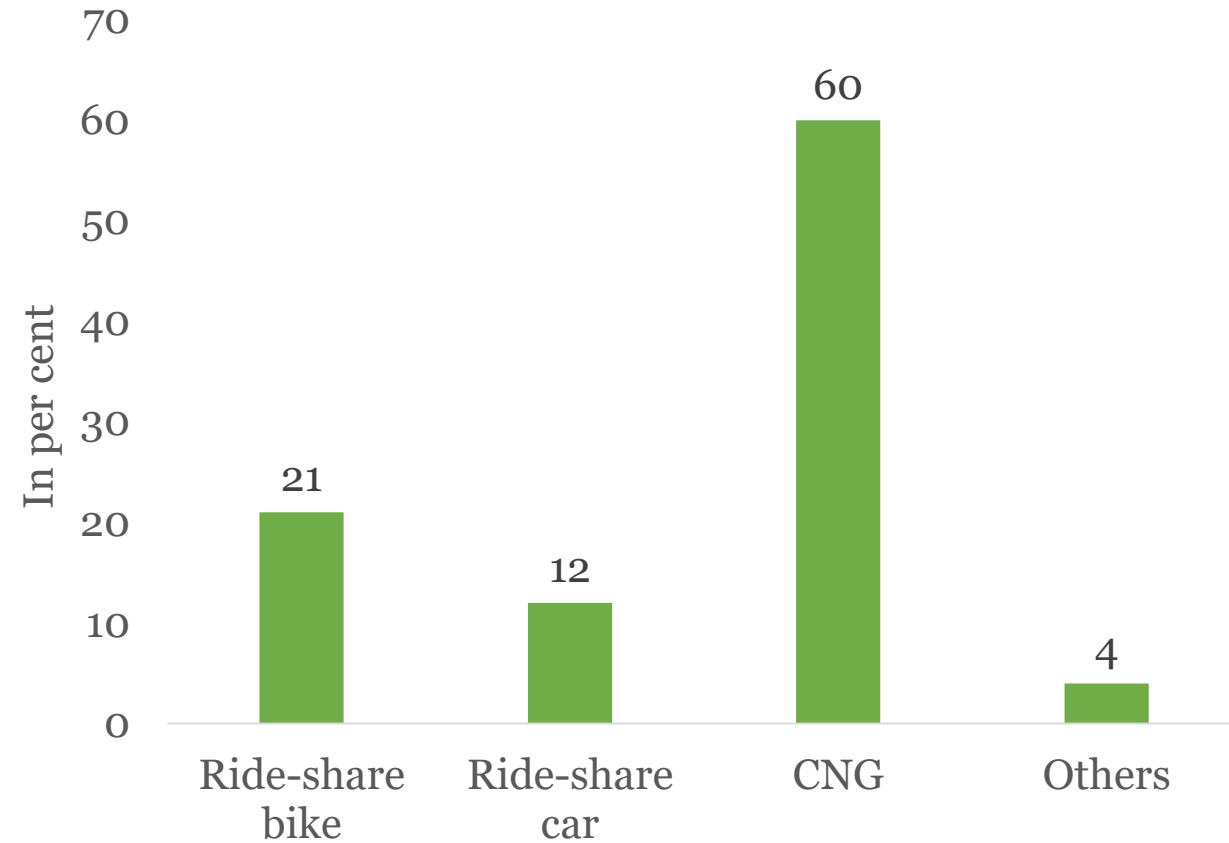
- A growing body of literature indicates that the **digital platform business model will shape the future of work** and lead to the emergence of new business and employment models
- Due to the absence of official statistics and a uniform definition, realising the digital platform economy's actual size in terms of gross revenue and number of active workers has been hindered
- Evidence from **Europe** shows that the platform economy had generated about **EUR 3.6 billion in revenue**
- Currently, **62 major platform companies** are operating throughout **Asia**, with a market capitalisation of at least USD 800 million
- Sabbagh, El-Darwiche, Friedrich & Singh, (2012) created a **composite digitisation index** comprising six essential dimensions, using 23 information and communications technology (ICT) indicators.
 - Based on a study of 150 countries and using a classical production function, they found that **a 10% rise in digitisation leads to the increase in gross domestic product (GDP) per capita by 0.50% to 0.62%**

4. Digital Platform Economy in Bangladesh

4.1 Ride-sharing in Bangladesh

- The **ride-sharing business in Bangladesh** has grown significantly and it has amassed 260 million USD to the digital platform economy with **6 million rides in each month**
- A study has estimated that the size of the ride-sharing market of Dhaka city would be around **BDT 22 billion a year**
- The market share of compressed natural gas autorickshaws (CNGs) was estimated to be 60%, whereas bike sharing and car sharing services occupied 21% and 12% of the market share respectively

Figure 1: Market share of different private passenger motor vehicle-hailing services



Source: Authors' illustration based on data from Kamal & Ahsan (Kamal & Ahsan, 2018)

4.2 Consumers' perceptions on ride-sharing

- In a study conducted on university students in Dhaka, it was found that consumers are generally positive about using commercial car-sharing services, but were concerned about their safety and security
- Among the survey respondents who participated in the study, **80% were willing to use car-sharing**, 68% preferred car-sharing over other forms of public transport, and 66% felt that car-sharing would be a success in Dhaka

Source: Saadat, S. Y., Ahmed, K. S., Jahan, A., Jahan, N., & Zahed, T. B. (2018). Consumers' Perceptions on Car Sharing: A Preliminary Study in Dhaka City. World Journal of Social Sciences, 8(2), 43– 56. Retrieved January 1, 2021, from https://www.researchgate.net/profile/Syed_Yusuf_Saadat/publication/329706897_Consumers'_Perceptions_on_Car_Sharing_A_Preliminary_Study_in_Dhaka_City/links/5c17627a92851c39ebf3252a/Consumers-Perceptions-on-Car-Sharing-A-Preliminary-Study-in-Dhaka-City.pdf

4.3 Online payments

- The formation of the Bangladesh Electronic Fund Transfer mechanism has further enabled various institutions to offer payment services to the unbanked segments of the population
- **Online payments in Bangladesh have increased from BDT 1.68 billion in 2016 to BDT 19.78 billion in 2019**
- Online payment is projected to reach BDT 40 billion due to the surge in online transaction during the COVID-19 pandemic

Table 1: Volume of online payments in Bangladesh over time

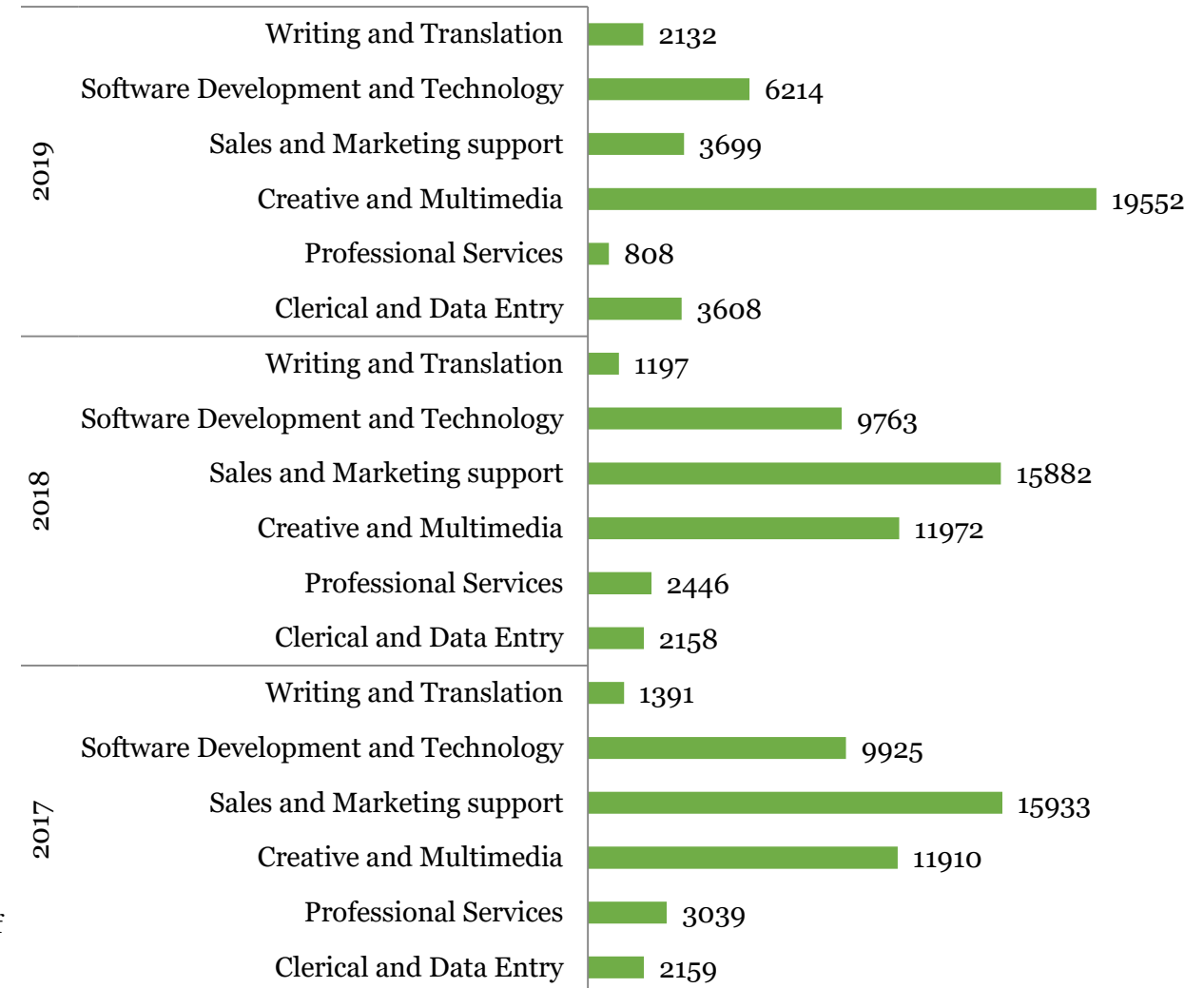
Year	Payment (in Crore BDT)
2016	168
2017	1,295
2018	1,576
2019	1,978
2020 ^P	4,000

Source: Authors' compilation based on data collected from e-CAB (as of August 2020)
Note: p=projected

4.4 Freelancing in Bangladesh

- Due to its low cost labour, **Bangladesh has been deemed as the next big IT outsourcing destination** in the world.
- In the global freelancing market, Bangladesh is ahead of all other countries in sectors such as sales and marketing support, with significant contribution in software development, technology, creative and multimedia, clerical and data entry
- The number of online workers has been growing over the years across most sectors.

Figure 2: Number of freelancers in Bangladesh



Source: Authors' illustration based on data collected from Online Labor Index (2020) of on the Oxford Internet Institute

4.5 E-commerce entrepreneurs in Bangladesh

- Currently, there are **2,000 website-based entrepreneurs** and up to **50,000 Facebook-centric entrepreneurs** in Bangladesh
- The COVID-19 pandemic has also expanded employment opportunities in the e-commerce industry.
- Moreover, around **500,000 jobs are likely to be created through digital platforms in the next one year.**

Table 2: E-commerce entrepreneurs and employment in Bangladesh

Details	Total number
Website-based entrepreneurs	2,000
Facebook-centric entrepreneurs	50,000
e-CAB members	1,300
Employment amid COVID-19 pandemic (approximate)	1,00,000
Job prospects in the next one year	5,00,000

Source: Authors' compilation based on data collected from e-CAB (2020)

5. Opportunities and Challenges of Digital Platforms in Bangladesh

5.1 Opportunities

- Estimates suggest that around **39 million people in Bangladesh currently use Facebook.**
- Due to increase in the availability of the internet, many entrepreneurs in Bangladesh are choosing digital platforms for continuing their business.
- While for the majority of the people, credit cards have not become available, mobile payments and cash-on-delivery have progressed as well-accepted processes.

5.2 Utilising opportunities

- Although the concept of the digital platform economy is new in Bangladesh, it is gradually gaining confidence and spreading rapidly among the new generation.
- For enhancing their credibility and acceptability, many digital platforms need improvement in their strategic approach and customer services.
- A number of other things, such as ensuring the **quality of the product, timely delivery** of the services, **efficient management of the inventory, flexible return policy** and overall **transparency**, will result in greater growth of the digital platform economy in Bangladesh.

5.3 Challenges: Digital divide

- **According Bangladesh Multiple Indicator Cluster Survey (MICS) 2019, only 5.6% households in Bangladesh owned a computer and only 37.6% of households had access to the internet in 2019.**
- However, use of computers and the internet was found to be more common in relatively richer households and among men, compared to relatively poorer households and women.
- **In 2019, only 0.4% of households from the poorest wealth index quintile in Bangladesh had a computer**, compared to 21% of households from the richest wealth index quintile who had a computer.
- **As of 2019, only 4.6% of women had used a computer** and the only 14.2% women had used the internet over the course of their lifetime.

5.4 Other challenges

- i) Unreliable supply of **electricity**
- ii) Slow **internet speed**
- iii) Limited **technical skills**
- iv) Poor **English** language skills
- v) Low level of proliferation of **credit and debit cards** hindering online payment
- vi) Difficulties in obtaining **payments from abroad**
- vii) **Legal loopholes** that allow digital platform companies and workers to escape the tax net
- viii) **Funding constraints** that threaten the sustainability of digital platforms
- ix) Insufficient **foreign investment** for digital platforms

6. Conclusion and Recommendations

6.1 Conclusions

- The role of digital platforms in the economy is increasing day by day.
 - Business opportunities are also increasing in this digital platform economy, which has come to the forefront during the COVID-19 pandemic.
- Although lots of mobile applications are coming into the market, the **policies related to the monetization of mobile applications still does not exist.**
- *If the vast young population of Bangladesh could be properly trained and equipped with market-relevant skills, then they could reap tremendous benefits through the digital platform economy.*
- Thus, the government must act urgently and prioritise the digital platform economy in its policy agenda so that Bangladesh does not fall behind other countries during this time of the fourth industrial revolution.

6.2 Recommendations

- i) Empowering individuals with **market-relevant skills**, especially **technical skills** and **English language skills**, through specialized training, so that they can participate in and benefit from the digital platform economy
- ii) Exploring **new financial tools** and models for ensuring the sustainability of digital platforms in Bangladesh
- iii) Formulating a **5-year national digital platform economy development plan**
- iv) Creating a national guideline of the **use of data** generated in digital platforms
- v) Amending **consumer rights protection laws** so that they encompass digital platforms
- vi) **Attracting foreign investors** to come to Bangladesh and invest in digital platforms
- vii) Bringing companies and workers in the digital platform economy under the **tax net**
- viii) **Increasing digital awareness** among the mass population
- ix) Providing **tax holidays for new companies** entering the digital platform economy
- x) **Encouraging brick-and-mortar companies to go digital through fiscal incentives**

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