

DHAKA THURSDAY SEPTEMBER 3, 2020, BHADRA 19, 1427 BS starbusiness@thedailystar.net

# Agent banking holds promise for faster economic recovery

**PROPORTION OF** 

**ACCOUNTS IN AGENT** 

**BANKING** 

In %, As of June; SOURCE: BB

URBAN RURAL

#### AKM ZAMIR UDDIN

The global economy may shrink by more than 5 per cent this year due to the impact of the ongoing recession brought on by the coronavirus pandemic and countries are using everything from fiscal measures to monetary policies to avoid contraction, create jobs and save lives.

The deepest global recession in eight decades has sent hundreds of millions into poverty, and the recovery appears to be far off, according to a World Bank paper released last month.

But the crisis has encouraged for economic transformation and adoption of digital business models, including increased use of digital financial services across the globe, the report said.

The financial sector, and banks in particular, is expected to play a key role in absorbing the shock, by

supplying much-needed funding. And Bangladesh's banking sector, which has been hit by the pandemic as the economy came to its knees, has taken initiatives for the expansion of digital financial services to spur the economic growth.

One of them is agent banking, which has gained momentum

amid the ongoing recession. If it is harnessed well, this digital banking channel -- thanks to its reach to the remotest parts where banks have not yet set their foot in -- can turn into an important cog in the wheels of the economic locomotive that would pull the country out of the ongoing crisis.

Agent banking, which has been in operation since 2016, could help lenders give out loans and mobilise deposits in tandem in the days ahead.

The number of accounts created through agent banking, which is being operated by 23 banks, stood at 73.58 lakh as of

This is a 115 per cent rise yearon-year and 13.25 per cent from that three months ago, according to data from the central bank.

The lenders have mobilised deposits and given out loans exponentially in recent months by using the model.

Deposits soared 93.40 per cent year-on-year to Tk 10,220 crore at the end of June while loan disbursement grew 203 per cent to Tk 720 crore.

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The central bank issued agent Covid-19 emergency; now, it is understanding of how banking guidelines in 2013 as part of its efforts to bring the unbanked population under the banking umbrella to widen digital financial inclusion.

Digital financial inclusion was accelerating a development priority before the but

relief and as a central element of broad-based, sustainable recovery efforts, according to the WB paper.

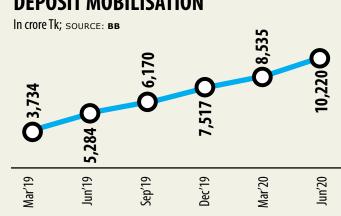
"There are challenges to increasingly, also,

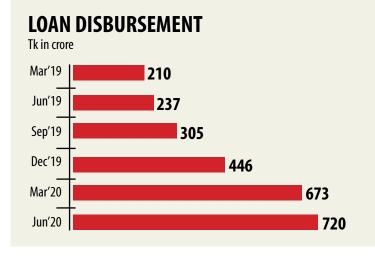
indispensable for both short-term overcome these obstacles and reduce risks," it said. "Digital financial inclusion can

help revive the economy faster," said Md Arfan Ali, managing digital finance, director of Bank Asia.

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# STAR BUSINESS REPORT **DEPOSIT MOBILISATION**





# Govt to buy LNG from spot market for the first time

### Decides to purchase 34,90,200 MMBTus from Singapore's Vitol Asia

#### REJAUL KARIM BYRON

The government has decided to buy liquified natural gas (LNG) from the spot market for the first time - a move that would help the country purchase the superchilled fuel at a cheaper rate, officials said

Bangladesh would buy 34,90,200 MMBTus (million British thermal units) of LNG from Vitol Asia Pte of Singapore at \$3.8321 per MMBTu, said an official of the cabinet division.

The total cost would stand at about Tk 132.93 crore.

The cabinet committee on purchase in a meeting, presided over by Finance Minister AHM Mustafa Kamal, approved to buy the LNG from the spot market.

In a spot market, financial instruments, such as commodities, currencies and securities, are traded for immediate delivery.

Purchasing from the spot market would help save Bangladesh Tk 30 crore, said Abu Saleh Mostafa Kamal, an additional



briefing reporters after the meeting.

Earlier, the finance minister said: "I think we would get competitive prices. This would open up a new window of opportunity for Bangladesh.

Bangladesh now buys LNG on its

secretary of the cabinet division, while own from RasGas of Qatar under a government-to-government agreement. In 2017, Bangladesh signed a 15-year contract with RasGas, which would supply 2.5 million tonnes of LNG

The fuel is supplied at 12.65 per cent of

the three-month average price of Brent oil plus \$0.5 constant per MMBTu.

The country also imported its first LNG cargo from Oman Trading International in January last year under a 10-year deal. The LNG is priced at 11.9 per cent of the threemonth average price of Brent crude oil plus a constant price of 40 cents per MMBTu, Reuters reported.

Bangladesh added LNG to its energy system in 2018 as part of the government's efforts to eliminate gas shortages and power outages and unlock the potential of the economy.

Excelerate Energy of the US began supplying re-gasified LNG from its terminal in Moheshkhali in August 2017. It has a regasification capacity of 500 million cubic feet per day.

In May last year, Summit LNG Terminal Co Ltd, the country's second LNG terminal, began supplying re-gasified LNG. The unit has a capacity of supplying 500 million cubic feet of re-gasified LNG.

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### Govt measures behind surge in remittance: Kamal

Finance Minister AHM Mustafa Kamal yesterday gave credits to the government's 2 per cent cash incentive for the recent surge in remittance.

Migrant workers sent home \$1.96 billion in August, up 36 per cent year-on-year. They remitted \$2.6 billion in July, a record for a single month.

"In the last two months, we received a huge amount of remittance that is worth six months," the minister told

Kamal said he ran a study on the remittance flow when he was the planning minister, from 2014 to 2018.

"We found that 51 per cent remittance enters the country through legal channels, while the rest 49 per cent via informal channels. This prompted the government to introduce a 2 per cent

incentive on remittance in the last fiscal year. The government has also removed complexities

beneficiaries had faced while receiving the money. "A lot of questions were asked in the past. Now, no question is asked. The flow of remittance is increasing because of proactive measures from the government,

Like remittance, exports would also increase in August, Kamal said.

"This increase in remittance and exports would

Exports fetched \$3.9 billion in July, up 44.4 per cent from the previous month and 0.6 per cent from a year earlier. The exports data for August has not been released According to experts and bankers, migrant workers sent

more money in recent months as the pandemic has wiped out the livelihoods of their relatives back home. The recent floods also prompted them to remit more. The surge in remittance flow came despite gloomy

forecasts from multilateral organisations owing to the coronavirus pandemic. For example, the Asian Development Bank said Bangladesh would be among the five worst developing

Asian economies in terms of remittance inflows.

In the worst-case scenario, Bangladesh's remittance will decline by 27.8 per cent from its 2018 level.

In 2018, Bangladesh received \$15.5 billion in remittance.

### Banks asked not to give fresh credit to adjust previous loans

The central bank yesterday asked banks not to give out fresh loans to clients in order to adjust their previous loans.

Some banks have recently adjusted the previous loans of borrowers by way of disbursing fresh loans, which is a clear violation of credit discipline, according to a central bank notice. The banking regulator earlier issued Guidelines on

Credit Risk Management for Banks where it asked lenders to monitor clients strictly to ensure proper use of their

In 2018, banks were also asked not to release any instalment of a project loan without ensuring the proper use of the previous instalment.

The central bank has also instructed banks to take measures against the borrowers who will not invest the loans appropriately or divert the fund breaching the rules. Banks have also been asked to carry out internal audits to tackle such situations.

Bangladesh Bank recently received allegations against some banks, which have settled their loans by giving out fresh loans, a central banker said.

This helps lenders to avoid new defaulted loans artificially, he said.

But such practices are weakening corporate governance in the banking sector.

If lenders do not follow the central bank's rules, punitive measure will be taken against them, he said.

## ADP implementation off to a slow start

#### REJAUL KARIM BYRON

Development expenditure fell 17.64 per cent year-on-year in July as the coronavirus pandemic continued to hammer the economy, official data showed. The government managed to

spend Tk 3,254 crore from its annual development programme (ADP) budget in the first month of the new fiscal year, down from Tk 3,951 crore in the same month a year ago. This means ministries

divisions expended 1.52 per cent of the Tk 214,611 crore set aside to carry out development activities in 2020-21, according to the data of the Implementation Monitoring and Evaluation Division under the planning ministry.

Tk 45,579 crore spent in June, the last month of the immediate past fiscal

Despite the significant reopening of the economy from the two-month's long countrywide lockdown in June, development activities have not yet gained momentum as the deadly virus

is not showing any signs of abating. Construction works under the mega projects, which came to a grinding halt after the virus hit the country in March, have not picked up pace. Contractors of donor-backed

projects, including those bankrolled

by Japan, have not returned to their project sites, said a planning ministry The ADP implementation from the government's coffer dropped 31.6 per cent to Tk 1,584 crore in July while

spending from foreign assistance declined 0.89 per cent to Tk 1,445 crore. The power division was the top performer in July as it spent Tk 1,089 crore, followed by the railways ministry (Tk 664 crore), local government division (Tk 536 crore)

and the road transport and highways division (Tk 168 crore). The health service division spent July's outlay was far lower than the Tk 127 crore, the housing and public works ministry Tk 119 crore, the technical and madrasah education division Tk 105 crore and the industries ministry Tk 101 crore.

> No money could be spent in July by the water resources, civil aviation and tourism, disaster management relief, textiles and jute and Chattogram, Liberation War and foreign affairs Bangladesh ministries,



Service Commission and parliament secretariat.

The ADP for the current fiscal year includes 1,724 projects.

Development activities came almost to a halt after the government was forced to implement a countrywide shutdown from March 26 to rein in the rising cases of coronavirus infections, causing the ADP implementation to virtually collapse in the following two months.

The ADP expenditure fell 38.79 per cent to Tk 16,581 crore in May and 40.27 per cent to Tk 8,136 crore in April. The implementation was ramped up in June when the government lifted the shutdown.

The development expenditure finally came down to a 27-year low last fiscal year.

The slowing trend of development spending may continue in the current fiscal year as well since the cases of coronavirus infections are on the rise.

Thirty-five people died from Covid-19 in Bangladesh in the last 24 hours, said the Directorate General of Health Services yesterday. The total number of deaths has reached 4,351.

Some 2,582 new infections were recorded, taking the total number of people infected to 317,528.