Financial inclusion and inclusive growth

SK SUR CHOWDHURY

BANGLADESH has made a broad social commitment for inclusive, equitable and environmentally sustainable socioeconomic growth 'leaving no-one behind', as espoused in the new sustainable development goals. The government has accordingly led proactively with the country's progress in sustainable development, with policy thrusts on massive digitisation to support financial inclusion and inclusive growth, alongside mitigation and adaptation response to climate change threats.

Despite having world economic shock in the recent past, Bangladesh has maintained a stable performance on macroeconomic indicators by registering a growth rate of more than 6 percent for the last few years. Bangladesh has targeted the new trajectory of 7 percent plus growth from the current fiscal year. Major macroeconomic indicators such as inflation, exports, remittances and fiscal position remained benign over the last decade.

Along with sound macroeconomic fundamentals, performance on the social indicators has been quite commendable, particularly in poverty alleviation, education, income and gender equality, adaptation to climate change, reduction of infant and maternal mortality and women's empowerment. With steady economic and social performance, Bangladesh has proudly joined the (lower) middle income group. The country is proceeding steadfastly to attain the upper-middle income status in the coming decade or so.

With all these policies in mind, to reap the benefit of a digitised economy, Bangladesh has introduced, developed and implemented broad-based networking, Union Information and Service Centre, Enterprise Resource Planning, Open Data Initiatives, Enterprise Data Warehouse, highly interactive website for government entities, e-tendering, e-education, e-learning and various apps to provide optimum opportunities to citizens.

Bangladesh Bank, the country's central bank, is supporting the government's efforts with its own initiatives by promoting financial inclusion and environmentally sustainable financing. In recent years, the core banking solution for the central bank and commercial banks, Credit Information Bureau's online services, electronic fund transfer, cheque imaging and truncation based automated clearing, and national payment switch for inter-operability of all plastic card-based services have been set up. Mobile financial services have become the key tool of financial inclusion initiatives.

Moreover, in most cases, money is being channelled from urban to rural areas, helping the rural economy. After shaping up all these retail channels, Bangladesh has recently launched real-time gross settlement or RTGS for high value payment. Under the present system, high-value interbank payments are done on the same day. But under RTGS, interbank high-value claims and obligations will be settled instantly.

The cumulative outcome of these steps is quick service and skill development in the financial sector, which has now been into a single thread. Moreover, transparency in the financial transaction has also been increasing steadily. A new dimension has also been added to the supervisory framework to combat corruption. All these concerted efforts to digitise the country have ensured rapid, transparent, decentralised and qualitative customer services.

For the last few years, Bangladesh has been trying to ensure sustainable growth through alleviating poverty by reaching out to a large number of people at the bottom of the pyramid using different development tools. In connection to these broad objectives, Bangladesh Bank has adopted diverse initiatives to accelerate the pace of financial inclusion through formulating and implementing inclusive policy measures. Bangladesh Bank has issued different circulars regarding the opening of no-frills accounts for underserved segments such as farmers, freedom fighters, government subsidy-holders, city corporation cleaners, garment workers, physically challenged people, small life insurance holders, natural disaster affected people, students and street children after completing simplified KYC formalities, agent banking, and disbursement of loans under refinance schemes.

To keep pace with those visions, need-based regulations have been formulated for agriculture, SME, sustainable banking and other environment friendly and productive sectors. The unique opportunity of opening no-frills bank accounts is actively serving as a channel to disburse safety net programmes funds or other allowances from government, collect utility bills, provide salaries, collect remittances, make payments on behalf of customers, and disburse adequate credit including easy agricultural loans from refinancing schemes. These accounts also encourage the users to enter the legal financial system and develop a habit of saving.

In Bangladesh a great many of the "newly-banked" are women, low-income families, rural people and members of marginalised groups such as religious and ethnic minorities. Bangladesh, however, has become a role model for financial inclusion, thanks to the regulatory moves by its central bank for guiding the banks, both private and public, in embracing financial innovative inclusive products even during the challenging time of global financial crisis. Ten-taka (12 cents) bank accounts for millions of farmers and social safety net beneficiaries, bank-led mobile banking, school banking, SME loans for women entrepreneurs and green banking are some of the inclusive financial products.

STAR/FILE

Bangladesh Bank is encouraging no-frills accounts for underserved segments such as garment workers to promote financial inclusion.

The writer is a deputy governor of Bangladesh Bank.

US firms moving operations out of China: survey

AFP, *Beijing*

ONE out of four US companies active in China has moved some operations out of the country or is planning to, as conditions worsen in the world's second-largest economy, an American business group said Wednesday.

Foreign investment has been a key part of China's transformation in recent decades, which has seen it become the workshop of the world and its largest trader in goods, but growth is now slowing and it faces rising competition on labour costs from rivals in Asia and elsewhere.

The American Chamber of Commerce in the People's Republic of China said more than three-quarters of respondents to its annual business climate survey -- 77 percent -- said they felt "less welcome" in the country last year. It was a significant jump on the 47 percent in 2014, and came in the wake of wide-ranging monopoly probes that have targeted foreign firms, some of which have paid huge penalties to Chinese authorities.

"Some of the policies which are being considered or have already been enacted are fundamentally leading China in the wrong direction," said Lester Ross, the chamber's vice chairman.

Among the 25 percent who have moved some of their capacity elsewhere in the last three years, or are planning to do so, the most common driver was rising labour costs.

But the chamber said almost one in 10 said they were doing so because of "regulatory challenges".

Internet censorship emerged as a major concern for many firms, with almost 80 percent saying that China's sprawling online control apparatus had a negative impact on them. Chinese authorities strictly censor websites in the country, and limit access to those outside with a web of controls known as the Great Firewall of China.

More than 70 percent of US firms said that as a result they were unable to access websites and information sources crucial to their business.

More than half found the inability to use some online tools -- Facebook, Dropbox, Instagram, YouTube, and Gmail are all blocked in China -- hindered their ability to operate. Among the firms that were switching operations away, almost half -- 49 percent -- moved them to other developing Asian countries, while 38 percent went to North America.

US firms sometimes face controversy in their home country over operations in China, with accusations that they are exporting jobs, and some have moved capacity back in recent years, drawn in part by cost savings due to an energy boom and stable wages.

China's GDP grew 6.9 percent last year, its slowest in a quarter of a century, government figures show, and the economy faces challenges including industrial overcapacity and a stagnant property sector, as well as stock market volatility.

Among survey respondents, 45 percent reported flat or declining revenues last year, with only 64 percent saying their China businesses were profitable -- the lowest proportion in five years.

Terror threat and slowing growth the focus as Davos gets under way

AFP, *Davos*

A string of jihadist attacks and rising risks to the global economy overshadowed Wednesday's opening of the annual meeting of the world's rich and powerful in a snow-blanketed Swiss ski resort.

The Taliban assault on a university in Pakistan that left at least 21 dead was a jolt to the billionaires, business titans and leaders gathering in Davos that include Pakistani Prime Minister Nawaz Sharif.

The heightened security threat was starkly in evidence in Davos itself, with police carrying machine-guns patrolling the streets and concrete blast blocks placed in front of key venues.

Even as Hollywood star Leonardo DiCaprio was helping get events under way Tuesday, the International Monetary Fund (IMF) sounded the alarm about perils in the major emerging economies and lowered its outlook for global economic growth this year.

The slowdown in Chinese growth is especially darkening the mood of policymakers in Davos after Beijing announced that GDP grew at its slowest in a quarter of a century last year.

"The big event that I think has captured everyone's attention is the developments in China and in particular the fact that growth is slowing," IHS chief economist Nariman Behravesh told AFP.

The Chinese policymakers have "fumbled", he said. "They have made some mistakes. And they have added to the uncertainty and the volatility by their behaviour."

China's problems will be discussed by the Davos delegates -- "but they won't say it in public, they will say it in the hallways," Behravesh said, noting that "the public Davos is a little different than the private Davos."

That is exactly why 2,500 movers and shakers make their annual pilgrimage here -- to air the biggest issues openly and, when they wish, far from the prying eyes of their domestic audiences.

For example, the foreign ministers of two countries deep in conflict -- Saudi Arabia and Iran -- are attending, although a public meeting is considered unlikely.

US Vice President Joe Biden is expected to be the key speaker on Wednesday, laying out his vision of the turbulent times that the global economy is facing.

Europe's migrant crisis is the other theme running through this year's Davos.

German Vice Chancellor Sigmar Gabriel and Swedish Prime Minister Stefan Lofven take part in a debate Wednesday on how to integrate migrants, at a time when the fallout from the New Year's Eve sex attacks in Cologne threaten Germany's open-armed approach to admitting hundreds of thousands of people.

Later in the week, leftist Greek Prime Minister Alexis Tsipras locks horns once again with his bete noire, German Finance Minister Wolfgang Schaeuble.

On Thursday, Argentine President Mauricio Macri will make his first appearance at Davos since his election in November, setting out his case for economic reform in a country with a turbulent recent past.

AFP

Swiss special police forces take position next to a sign reading Davos at the opening of the World Economic Forum annual meeting in Davos on Tuesday.

No global meltdown, EU growth outlook unchanged

REUTERS, *Davos*

CENTRAL banks still have more firepower they can use to counter a slowdown in global growth, which does not change the outlook for recovery in the euro zone, European Economics Commissioner Pierre Moscovici said on Wednesday.

In an interview with Reuters Television at the World Economic Forum in Davos, Moscovici said he did not believe there would be any return to an international financial crisis, despite turmoil in world markets during the first few weeks of 2016 triggered by China's slowdown and low oil prices.

Asked whether the world's main central banks had run out of ammunition to revive the global economy after years of record low interest rates and quantitative easing, he said: "They have got guns and they can act."

While declining to recommend policy to the independent European Central Bank, the French Socialist said the ECB had taken the right action since 2012 to preserve the unity of the euro zone and show it could resist any shock.

ECB action had also addressed policy issues linked to weak growth "and we need to go on with that", he said.

Moscovici said he did not expect any major change in the euro zone's growth outlook when the European Commission issues an updated forecast in early February, despite the sharp slowdown in China and tumbling stock and commodity markets.

The EU executive last forecast in November that the euro zone would grow by 1.8 percent this year and 1.9 percent in 2017 after an estimated 1.6 percent last year.

"As I see it today I see no change, no major change in our forecast... for Europe. But of course we've got to take into account those downside risks. We don't need to change our policy stance but to reinforce it," he said.

The International Monetary Fund cut its global growth forecasts for the third time in less than a year on Tuesday, as new figures from Beijing showed that the Chinese economy grew at its slowest rate in a quarter of a century in 2015.

However, the IMF said lower oil prices will help support private consumption in Europe and therefore added 0.1 percentage point to its 2016 euro area growth forecast, bringing it to 1.7 percent, where it will remain for 2017.

On global market turbulence and falling commodity prices, Moscovici said: "I don't feel that the financial crisis is coming back. We don't feel that we are facing the risk of a breakdown in world growth, but there are downsides that we need to address.

"There are worries and we have to take that into account, especially about China which is undergoing a transition which is difficult and uncertain. Overall the anticipated impact on growth, what we see is there could be an impact, limited, on growth. I think even more limited on European growth which is protected and less dependent on those movements."