

# Financial inclusion vital for social dignity: experts

STAR BUSINESS REPORT

Financial inclusion is vital for enhancing social dignity of underprivileged people alongside poverty eradication, said experts yesterday.

"I honestly believe financial inclusion of underprivileged people would upgrade their livelihoods and it is connected with sustainable development goals," said Gowher Rizvi, international affairs adviser to the prime minister.

He was addressing the closing ceremony of a two-day "First FIN-B International Conference and Inclusive Fair 2019" organised by the Institute for Inclusive Finance and Development at Krishibid Institution Bangladesh in Dhaka.

Rizvi said the society was accountable and responsible to underprivileged communities while achieving financial inclusion was the real challenge to getting returns from the rural economy.

However, he is confident of the progress made in achieving financial inclusion and stressed the need for affirmative action for drivers of society to attain middle class social strata. The prime minister's adviser believes that Bangladesh was going to achieve double-digit economic growth within a short time.

"The higher growth must come through the distribution of all facilities among the stakeholders and concertation is required to ensure schooling and healthcare facilities for all," he added.

"We have to keep in mind that without access to finance there is no success," he

noted.

Qazi Kholiqzaman Ahmad, chairman of the Institute for Inclusive Finance and Development, said opportunities should be created for the financially insolvent as they have no access to large finance to change their social status.

Basically they are stakeholders for financial inclusion, not beneficiaries, he said, adding, "They are very important stakeholders in achieving SDGs. We need to undertake multidimensional measures to graduate the poor people."

Ahmed Mushtaque Reza Chowdhury, former vice-chairman of Brac, said the non-government organisation set an example in facilitating the graduation of the extreme poor across the country.

According to him, they now need access to finance and other facilities to further upgrade their current state.

MK Mujeeri, executive director of the Institute for Inclusive Finance and Development, said a framework materialised from the conference for promoting financial inclusion for the excluded and disadvantaged groups while upholding human dignity, which would have implications for future policies.

The conference saw the presentation of 15 papers by experts on six themes, providing an opportunity to policymakers, financial experts, practitioners, academicians and stakeholders to discuss financial inclusion challenges, identify innovative solutions and share experience covering both demand and supply side issues.

# Fed to join ranks of other central banks in stimulating economy

AFP, Washington

The Federal Reserve is walking a tight rope of competing economic forces but is set on Wednesday to rejoin the central banks worldwide that are easing access to credit to keep growth from faltering.

President Donald Trump, whose aggressive trade policies have thrown a wrench into the world economy and complicated the Fed's carefully laid plans, will certainly cheer a rate cut and likely call for more, as he has been doing for months.

Economists, however, are torn. Many say the US economy does not need additional stimulus.

Fed Chair Jerome Powell is due to announce the outcome of the latest two-day policy meeting on Wednesday afternoon.

But others see on the horizon a slowdown in China's growth, the European Union on the brink of an unknown Brexit outcome, added to a drop off in US business investment and rising corporate debt levels, and say the Fed is right to retreat for now.

Mohamed El-Erian, chief economic adviser at Allianz, said "unwinding" the December increase in the Fed's benchmark lending rate will put the central bank back "where some of us thought it should be going into 2019." And, he said on Twitter, "the Fed's dramatic dovish pivot has opened the way/forces other central banks to also loosen monetary policy." The European Central Bank, which has held the policy interest rate at zero, indicated it is ready to provide more stimulus -- even turning rates negative -- as did the central banks of Britain and Japan.

The Fed in the past has for the most part been ahead of the curve, cutting quickly as the global financial crisis erupted in late 2007, and then raising rates as the United States began to recover before other advanced economies.

The Fed's goal with its nine increases since December 2015 -- bringing the range to 2.25-2.5 percent -- was to get rates high enough to keep the recovery going while also allowing it room to cut in the event of another economic slowdown.



Kasef Rahman, founder and CEO of ShareTrip; Tanveer Ali, a director, and Tina Jabeen, investment adviser at Startup Bangladesh of ICT Division, attend the launch of travel app "ShareTrip" at the Radisson hotel in Dhaka on Tuesday. ShareTrip aims to provide users world-class travel booking experience.

# German labour market feels first chills of slowdown

AFP, Frankfurt

Germany's largely resilient labour market showed early effects of a gathering slowdown in July, official data showed Wednesday, as authorities highlighted falling demand for new workers and employment growth petering out.

Federal labour agency (BA) chief Detlef Scheele said in a statement that "companies' demand for new employees fell back slightly and employment continued rising, but with less momentum than before".

Seasonally-adjusted figures showed five percent of people out of work this month, the same level as in May and June.

But in absolute terms -- widely referenced in public debate but less representative of underlying trends -- unemployment increased 0.1 percentage point month-on-month, to 5.0 percent or 2.3 million people out of work.

Germany's economy returned to growth in the first six months after brushing past a technical recession, defined as two consecutive quarters of shrinkage, in late 2018.



Mohammad Mobydur Rahaman, head of B2B, partnerships and loyalty at Telenor Health, and Syed Monjurul Islam, acting executive director of ICDDR,B, attend a deal signing ceremony at the latter's office in Dhaka recently. The two organisations joined hands to work together to make quality healthcare services more accessible and affordable for the people.

# Stability in Hong Kong key for Singapore businesses: minister

REUTERS, Singapore

Prolonged turmoil in Hong Kong could jeopardise regional financial stability, and that would outweigh any short-term gain for Singapore from flows of funds from investors worried about protests there, a Singapore government minister said.

Two months of increasingly violent protests have embroiled Hong Kong in its worst political crisis for decades after what started as an angry response to a now-suspended extradition bill.

Some tycoons in the Chinese-ruled financial hub have moved funds or are considering doing so, while the

unrest has also encouraged some wealth managers to choose to set up in Singapore instead of Hong Kong, Reuters has reported.

But Singapore's minister of law, K Shanmugam, told Reuters in an interview on Wednesday that stability was crucial. "In the longer term, if you take a strategic view on these things, Singapore benefits if there is stability across the region, including in Hong Kong," he said.

"Short-term benefits through instability in Hong Kong are outweighed by longer-term disamenities and longer-term structural problems that might arise if there continues to be instability

in Hong Kong, or in any other major economy," Shanmugam said.

Singapore and Hong Kong, both former British colonies, compete fiercely to be considered Asia's premier financial services centres but nevertheless, Singapore wanted to see business as usual in Hong Kong, Shanmugam said.

"From a strategic perspective, I'd rather see that Hong Kong reverts to how we all know Hong Kong to be," he said.

Shanmugam said Hong Kong's proximity to China, meant it had a key role to play as a financial services centre, while Singapore is seeking to build on its status as a leading legal infrastructure hub.

# Eurozone growth slows to 0.2pc in second quarter

AFP, Brussels

Economic growth in the eurozone slowed to 0.2 percent in the second quarter of the year, down from 0.4 percent in the previous three months.

Eurostat's figures, published Wednesday, also showed inflation in the 19-nation single currency group dropping from 1.3 percent in June to 1.1 in July.

This falls even further short of the European Central Bank's 2.0 percent target for a healthy economy, and amounts to further evidence of a worrying slowdown.

The seasonally adjusted unemployment rate nevertheless also fell, from a revised 7.6 percent in May to 7.5 in June, its lowest level in ten years.

The wider 28-member European Union, which includes countries outside the euro, also saw second quarter growth shrink to 0.2 percent, down from 0.5 in the previous period.

All the figures will be subject to revision in the months to come, but they were in line with market expectations as estimated by data firm Factset.

# Liquidity crunch dictates new monetary policy

FROM PAGE B1

The central bank also announced it will be switching to short-term interest rate-based monetary policy in keeping with global best practices. It has started preparations for the switch with the South Asia Regional Training and Technical Assistance Centre (SARTTAC), a collaborative venture between the International Monetary Fund and its six member countries of South Asia.

But economists expressed doubt about the success of the new policy in the absence of a vibrant bond market.

Given only the call money market to rely on it will be tough for the central bank as the developed nations depend on the yield of bond to set and reset the policy rate, said Mansur, also a former economist of the IMF.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, echoed the same.

This will require establishment of a stronger link between the policy rates and financial market prices, which in turn will require a more competitively behaved banking system and development of a bond market, he said.

"The central bank will need to work much harder on these fronts before switching to an interest rate targeting-based monetary policy regime."

# Kamal to sit with private banks Sunday

FROM PAGE B1

At the end of March, default loans in the banking sector totalled Tk 110,873 crore, up 25.15 percent from a year earlier. The sponsors of private banks had earlier promised to set 6 percent and 9 percent interest rates for deposit and lending respectively but majority of them have failed to keep their word.

The finance minister may ask them to bring down the interest rate on lending as per the commitments.

The relaxed rescheduling facility for defaulters may also be discussed at the meeting. A set of new instructions will emanate from the meeting to ensure the stability in the banking sector, the BB official said.

# No room for complacency

FROM PAGE B1

A 14.8 percent growth from the stock credit to the private sector at end-June 2019 means the nominal volume of private credit will be Tk 149,500 crore, constituting just about 20 percent of the required volume of private investment in nominal terms in FY20.

Historically rapid private sector credit growth has supported Bangladesh's strong economic performance. The ratio of private credit flow to private investment was 23 percent and 25 percent in FY17 and FY18 respectively.

However, the correlation between the change in the private credit to GDP ratio and real activity has diminished and the degree of co-movement of financial and real variables has weakened. Rapid deterioration of credit quality in recent years in a weakly capitalised banking system perhaps led the Bangladesh Bank to be concerned about the capacity of the financial sector to support a large increase in private demand for credit. If this indeed is what motivated the setting of a conservative target for private credit

growth in FY20, one cannot help but wonder where the rest of the needed financing will come from in a year when the government has introduced a 15 percent tax on retained earnings exceeding 50 percent of the paid-up capital, thus discouraging corporate saving.

Indeed, it is in this area of what the BB envisages to do to address the challenge of improving the quality of private sector credit that the MPS has been most short. All it says is that the liquidity stress emerging in one weak bank or another "can best be handled on case-by-case basis as and when needed." This is neither here nor there. It does not constitute statement of a policy signalling to weak banks that liquidity support will be conditional on a credible corporate plan to improve their balance sheets and compliance with the macro-prudential regulations. Anchored on such a policy stance, a higher private sector credit growth target in the 16-17 percent range could have given the real investors much better comfort.

# Tax receipts fall short of target by 20pc

FROM PAGE B1

The procurement order for 10,000 EFDs out of the planned 100,000 would be placed after the prime minister gives her approval, he said.

The NBR is also banking on a survey that it has been carrying out for the past couple of months to net more people who evade paying taxes despite having the capacity to do so.

At present, the NBR has about 40 lakh registered taxpayers but 22 lakh

submitted returns in fiscal 2018-19.

Bhuiyan said four crore people in the country have the capacity to pay tax but the majority of them do not.

"We will try to bring them under the tax net gradually," he said, adding that the tax administration has aimed to bring 6.72 lakh taxpayers into the tax net this fiscal year. As of June, the survey teams have detected 331,272 taxpayers and registered them.

"We are also taking punitive

measures against the registered taxpayers who have not submitted tax returns."

The NBR is taking measures against corrupt officials and conducts raid to prevent abuse of zero-duty import benefit of goods of various industries under bonded warehouse scheme by licence holders.

It has already suspended licences of 342 and is on way to cancelling some more for abuse of the benefit.



Azam J Chowdhury, managing director of MJL Bangladesh Ltd (MJLBL), the strategic alliance partner of ExxonMobil in Bangladesh, and Mukul Hossain, CEO, pose with best-performing distributors of the MJLBL at "Mobil Partners Meet 2019" at InterContinental Dhaka on Tuesday.

# Boeing grounding, catastrophes pull down Swiss Re profit

REUTERS, Frankfurt

Swiss Re on Wednesday posted a 5.3 percent drop in first-half net profit from a year earlier, dented by claims from natural catastrophes and cases related to the Ethiopian Airlines crash and Boeing 737 MAX fleet grounding.

The world's second-largest reinsurance company also posted a loss in its commercial insurance arm, which is in the process of restructuring.

Net profit came in at \$953 million, down from \$1 billion a year earlier, but better than analysts' expectations of \$848 million, according to Reuters calculations and data from Refinitiv.

The Zurich-based company marked a net profit despite a low volume of claims for the broader industry from natural catastrophes during the first half of the year.

However, Swiss Re pointed to belated claims from last year's typhoon Jebi in Asia, storm losses in Australia, and the claims from the Ethiopian Airlines crash and grounding of the Boeing 737 MAX fleet.

The combined ratio in its property and casualty division, a key measure of profitability, was 100.5% in the first half, worse than 92.9 percent from a year earlier. Readings below 100 indicate profitability, and the company said it expected the division's ratio to be about 98% this year.

"We are confident that the measures we are taking in corporate solutions will return the business to underwriting profitability," Swiss Re Chief Executive Christian Mumenthaler said.

# Biman logs Tk 272cr profit on anti-graft drives

FROM PAGE B1

Due to the anti-corruption drive, Biman was able to generate a huge income in the last three months and post such a profit, Haque said.

The state minister also announced that Biman will soon spread its wings to new destinations, including Manchester, Tokyo, Madina and Guangzhou, as four new factory-made aircraft will be added to Biman's fleet within the next year.

Biman has incurred losses in most of the years since its inception in 1972 due to widespread corruption and mismanagement, aviation experts said.

In 2007, the then military backed caretaker government turned Biman into a public limited company with an aim to make it a profitable venture, which also failed to bring any good for the airline.

Biman at present flies to 17 international and seven domestic destinations with a fleet of 15 aircraft. Six of the planes have been taken on lease. Except for 2014-15, 2015-16 and 2016-17, Biman incurred losses every year since 2009-10, officials of the state-owned carrier said. In 2017-18, the amount of its loss stood at over Tk 201 crore.

A probe body of the civil aviation ministry has recently found that a syndicate is blocking online ticket sales and channelling those to the black market with the help of some unscrupulous travel agents.

Due to a lack of tickets online, passengers had to buy them from rogue travel agents at premium rates and the syndicate had been making Tk 25 lakh a day for several years, the investigation exposed.