

# Microfinance transformation inevitable

Experts say at a seminar

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Transformation of microfinance institutions is inevitable considering rural economic growth and financial inclusion requirements of Bangladesh where some 50 percent of the adult population remain unbanked, said discussants yesterday.

Microfinance institutions for decades have positively impacted financial inclusion, savings and lending, especially in remote areas, they added at a seminar on "Transforming the Microfinance Sector for Financial Deepening".

The Business Finance for the Poor in Bangladesh (BFP-B) project organised the event at the Sonargaon hotel in Dhaka on completing a "Feasibility Study on Transformation of MFLs into Specialised Banks/Finance Companies: Bangladesh Perspective".

The study's primary objective was to understand whether the transformation of microfinance institutions could deepen financial inclusion in Bangladesh by addressing the financial needs of the unbanked people and businesses.

The study recommended that microfinance institutions could continue widening access to finance if new rules and acts were enacted and existing ones amended.

It also showed that large microfinance institutions might create pathways for a gradual transformation to specialised banks, resulting in an improved customer base and growth.

Bangladesh Bank and Microcredit Regulatory Authority are implementing the 6.5-year project, funded by DFID Bangladesh, while Financial Institutions Division the executing agency.

The project aims to improve access to finance for micro and small enterprises and create



**Khondkar Morshed Millat, general manager of the sustainable finance department of Bangladesh Bank and deputy project director of Business Finance for the Poor in Bangladesh; Amalendu Mukherjee, executive vice chairman of Microcredit Regulatory Authority, and Arijit Chowdhury, additional secretary to Financial Institutions Division, attend a seminar on transforming the microfinance sector at the Sonargaon hotel in Dhaka yesterday.**

economic opportunities for small business. This would be brought about by improvements in policy and regulation of financial services, innovations in the nature and scope of financial services targeting the poor and strengthening of information systems supporting microfinance and bank lending.

Md Ashadul Islam, senior secretary to

Financial Institutions Division, was the seminar's chief guest, and Ahmed Jamal, deputy governor of Bangladesh Bank and project leader, the special guest.

Arijit Chowdhury, additional secretary to Financial Institutions Division and chairman of the project's policy working committee, moderated the discussion.

# Peyala Café opens on Gulshan Avenue

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A third outlet of Peyala Café has recently opened at 49, Gulshan Avenue in Dhaka.

The restaurant will stay open seven days a week from 8:00am to 12:00am with breakfast, lunch and dinner menus, says a statement.

Peyala Café offers popular Mexican, Thai, Indian and Bangladeshi cuisines wrapped in a healthy wheat fajita or with

salads, said Arif Mustafa, head of MGH Restaurants, the brand's owning company.

A Peyala app is available for iOS and android featuring daily menus and Peyala Cash, which are points earned on purchases and redeemable on deliveries and at the cafe.

The other two outlets are at Gulshan DCC-2, opposite to Westin Dhaka, and at Kawran Bazar, opposite to the Sonargaon hotel.

# Euro zone bond yields tick up as Fed cut underwhelms

REUTERS, London

Core euro zone bond yields inched up from all-time lows on Thursday after US Federal Reserve Chairman Jerome Powell tempered bets on more rate cuts after the central bank's first cut in more than a decade.

Ten year bund yields fell sharply ahead of the Fed meeting to hit new record lows of -0.442 percent, and remained close to this level at -0.428 percent in early trade.

The Federal Reserve cut interest rates on Wednesday, but the head of the U.S. central bank said the move might not be the start of a lengthy campaign to shore up the economy against risks including global weakness.

"Let me be clear it's not the beginning

of a long series of rate cuts," Powell said in a news conference after the Fed released its latest policy statement. At the same time, he said, "I didn't say its just one rate cut." US Treasury yields rose after the announcement and were seen three basis points higher at 2.051 percent.

In the US, shorter-dated yields rose as traders scaled back positions on future rate cuts, while longer-dated yields fell on the Fed's muted inflation outlook and the halting of its balance sheet normalization two months early.

Mizuho rates strategist Peter McCallum noted that despite Powell's reference to "mid-cycle adjustment," the United States' vast corporate debt and close to contraction manufacturing sectors suggest a much weaker outlook.

# BMW profits dented by electric vehicle investment costs

AFP, Frankfurt

German high-end carmaker BMW on Thursday reported slumping second quarter profits, with pricey investment in electric cars sapping the bottom line, but it remained confident of hitting its financial targets.

Net profit at BMW fell 28.7 percent compared with a year earlier in the April-June period to 1.5 billion euros (\$1.7 billion), below the consensus of forecasts of analysts surveyed by Factset.

Chief executive Harald Krueger said the Munich-based group was investing in development of all-electric, hybrid and fuel cell vehicles, as well as upgrading traditional internal combustion engines.

BMW reported increased demand for its i3 compact car and pointed to five all-electric models slated for release over the coming two years.

An all-electric variant of the Mini is set to begin rolling off its Oxford, UK production line in November.

Finance director Nicolas Peter

pointed in a telephone conference to "high capital expenditure and upfront investments" which amounted to 1.4 billion euros over the three months.

Meanwhile, "the increasingly challenging market environment and sustained intense competition dampened business development," Peter added, while costs for raw materials and for meeting European carbon emissions targets grew.

Sales increased 2.9 percent, to 25.7 billion euros, but operating, or underlying profit fell 28.4 percent, to two billion euros.

BMW highlighted that it had managed to increase unit sales in the first half, climbing 0.8 percent to more than 1.2 million units, pushing back against a global auto market predicted to contract over 2019. "We are growing -- in a declining and highly competitive world car market," CEO Krueger said.

Krueger is set to cede his post this month after coming in for criticism over BMW's slow progress on electrification. Looking ahead to

the full year, the firm confirmed its outlook for a "slight increase in the number of deliveries".

- Push on profitability - Profit margins will be slashed in part by a provision of 1.4 billion euros BMW set aside for an antitrust probe under way at the European Commission -- which contributed to shrinking the bottom line by half over the first six months.

Brussels in April accused the company of agreeing with Volkswagen and Daimler not to compete on emissions-reduction technology.

BMW expects an operating margin of between 4.5 and 6.5 percent this year -- down from 10.1 percent in 2018.

Investors nevertheless appeared encouraged as the group reported making progress on profitability.

The closely-watched operating margin in its automotive business reached 6.5 percent in the second quarter, lower than the 8.6 percent seen a year before, but up 0.9 points compared with the first three months of 2019.

# China's tax cuts hit local govt coffers, may undermine stimulus

REUTERS, Beijing

China's \$300 billion in tax cuts aimed at stimulating its slowing economy are starting to hurt the revenues of debt-ridden provincial governments, with poor western regions suffering the most from squeezed budgets, a Reuters analysis showed.

Increased fiscal strains on provinces and municipalities will likely hamper their ability to implement infrastructure projects, in turn affecting local businesses and jobs and ultimately clouding Beijing's efforts to support the broader economy after growth slowed to nearly three decade lows.

China rolled out billions of dollars in tax cuts, new construction spending and a slightly higher target for the budget deficit to GDP ratio -- to 2.8 percent from 2.6 percent -- as economic risks grew from a slowdown in domestic demand and a trade war with the United States.

Of the 22 provinces and

municipalities that have published fiscal revenues for the first half, 10 reported a slowdown in revenue growth from a year earlier while seven showed a rare drop, according to official provincial data compiled by Reuters.

"The economic slowdown and tax cuts are the main factors behind the pressure on local governments," said Jia Kang, head of the China Academy of New Supply-side Economics, a Beijing-based think tank.

"The budget deficit ratio (for the central government) for this year is 2.8 percent, and we need to see whether it needs to be raised a bit next year," said Jia, former head of research at the finance ministry.

Western regions were the hardest hit, with revenues in Chongqing, a sprawling municipality in southwestern China, dipping 7.8 percent, followed by a 5.4 percent drop in the province of Guizhou and 3.7 percent fall in Qinghai.

Chongqing is embarking on a 53.5

billion yuan (\$7.8 billion) railway project linking it with the southern city of Xiamen 265 km away. Guizhou also has plans for a high-speed railway to connect all of its cities with the provincial capital of Guiyang. Qinghai wants to expand an airport.

Gansu, a poor northwestern province with a similar plan for an airport expansion, posted a 2 percent decline in fiscal revenue. If it weren't for the tax cuts, fiscal revenue could have risen 4.3 percent, according to the local government.

In the first half of last year, Qinghai, Guizhou and Gansu all reported double-digit revenue gains.

Most western provinces remain under-developed, despite more fund transfers from the central government and benefits from a strategic push to develop the region.

Analysts said effects from stimulus measures have been slow, unlike the 2008/09 global financial crisis, as some cash-strapped governments are deploying tax revenues to repay debt.

# Global recognition for Dmoney

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From the very beginning the digital wallet will ensure interoperability.

Dmoney has licence to operate in all financial streams and will be able to serve both business to customers and business to business market segments and will be the country's first interoperable QR (EMVco compliant), according to the website of the company.

EMV stands for Europay, MasterCard and Visa and is the global standard for chip-based debit and credit card transactions.

"We began our journey with the challenge of financial inclusion and realised that inclusion is a myopic view of the world. Either you are included or excluded," said Sonia.

Sonia was recognised as one of the 10 Sustainable Development Pioneers globally in 2017 by the United Nations Global Compact.

She said the real problem to solve is the challenge of building an ecosystem around homes and small and medium businesses and offer them all the products and services they need to operate effectively with productivity and succeed in their endeavours.

"Our business strategy is expanding from just financial inclusion to a digital ecosystem of financial well-being. The innovations we see are around this ecosystem are what we are building in Dmoney."

The company has already built its own software and has 100 percent intellectual property rights in the research and development and customer success teams, as well as its network of reliable business partners.

"Bangladesh is a large market that is underserved. Digital lifestyle and financial services are the need of the hour," said Aref Bashir, managing director of Dmoney.

"The firm aims to rise to the challenge and fulfil this demand. It will build, partner and be the enabler and is committed to resolving the cash to digital transformative barriers."

# No verification for remittance below \$1,000

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The official said banks will pay an additional 2 percent to the remitters when they disburse the money to the bank accounts of the recipients.

For example, if an expatriate sends Tk 100, the respective bank will disburse Tk 102 in favour of the beneficiary account. Later, the bank will claim the additional payment with the central bank.

At present, commercial banks disburse incentives to exporters when their earnings enter the country.



**Md Arfan Ali, president and managing director of Bank Asia; M Jalalul Azim, CEO of Pragati Life Insurance; Md Mamunul Hassan, executive vice president at Pragati Insurance, and Salima Jahan Nila, head of business at Microinspire, pose after signing a memorandum of understanding at the bank's corporate office in Dhaka recently. The four entities aim to ensure financial security for small and medium-sized enterprises to increase loan disbursement.**

# Banglalink's revenue up 5.4pc in Q2

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Erik Aas, chief executive officer of Banglalink, said the company registered a solid performance in the second quarter following a good start in the first quarter. "Our improvements are highlighted by a 5.4 percent revenue growth in this quarter and we are confident of keeping the momentum going throughout the rest of the year."

Data revenue was up 28 percent year-on-year to Tk 225.37 crore, which reflects the operator's gradual emergence as a prominent digital player in the market, Aas said.

At the end of the quarter, its active

customer base stood at 3.33 crore, of which 2.11 crore are using internet and their average monthly data consumption reached 1,250MB.

Veon also expressed concern about tax structure and continuously changing regulatory environment.

The 2019-20 budget doubled the supplementary duty to 10 percent from 5 percent on all kinds of mobile services and the SIM tax to Tk 200 from Tk 100. The minimum tax rate went up to 2 percent from 0.75 percent, while custom duties on smartphones increased to 25 from 10 percent.

"As the SIM tax, the supplementary

duty on voice and data services and the minimum tax on a mobile operator's turnover have increased in the recent budget, it will be challenging for us to maintain the expected growth rate," said Aas. The operator called for revising the taxation regime.

It said the authorities need to consider a few crucial issues such as the implementation of significant market player (SMP) and an acceptable tower sharing regime to ensure the sustainable growth of the telecom industry, Aas said. Banglalink invested Tk 181.99 crore in capital expenditure in the second quarter.

# No duty benefit for boulders, rods of power plants

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"This is not directly related to the construction of power plants. But the company says it is essential for it to transmit power," he said.

Another firm imported a dredger on grounds that it needed it to clear silt from a channel so that it could bring coal to produce electricity, he said.

To resolve the problem, the NBR sat with the commissioners of customs houses and representatives of the Power

Division mid last month.

The meeting, chaired by NBR Chairman Md Mosharraf Hossain Bhuiyan, decided to provide duty exemption only to those items which were essential for power plant construction and electricity generation.

The NBR also formed an eight-member committee to prepare a list of items that could be brought into the country duty-free to establish power plants.

The panel, comprising representatives

of Power Division, public and private electricity producing companies and the Federation of Bangladesh Chambers of Commerce and Industry, will prepare the list by reviewing existing notifications related to duty privilege for setting up power plants.

"We hope to come up with a list within a month. The list will clear which items are related to power plants and which are not and thus remove confusion," said a senior official of the NBR.

# Kamal goes tough on BASIC Bank

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In 2007, the bank had 700 officials in 32 branches. "Whether the bank continues or not is down to you. We will provide capital support for only so long."

The bank has to give a work plan on how to improve its financial health before taking on fresh funds from the government, he said.

According to the bank's management, some 380 defaulters who held default loans worth Tk 4,006 crore have so far asked the lender to reschedule their loans at two percent down payment.

"We will provide all sorts of cooperation to businesses that defaulted for genuine reasons. Fresh loans will be given to them if the previous loans are paid back. And we will take court order to offer the credit facility," he added.

As per a High Court order, businesses who enjoy the relaxed rescheduling facility will not be allowed to get fresh loans from banks.

"It has been five years now and the bank continues to face losses," said Md Mosharraf Hossain Bhuiyan, chairman of the National Board of Revenue.

The managing director will have to take punitive action against the inactive officials, he added.

Md Asadul Islam, senior secretary to financial institutions division of the finance ministry; Alauddin A Majid, chairman of the BASIC Bank board; and Md Rafiqul Alam, managing director of the lender, spoke at the event, among others.

# Non-life insurers agree to stick to 15pc commission

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The BIA has already sat with the central bank so that it can take initiatives through banks to monitor the issue.

The central bank agreed to provide all support, he added.

The IDRA has also issued a notice to non-life insurers to close several bank accounts and maintain three certain accounts. It will make monitoring of their activities easier, he added.

"Insurance has become an unholy sector because of this commission business," said Md Khaled Mamun, chief executive officer of Reliance Insurance.

Restricting the commission at 15 percent is a positive move, he told The Daily Star.

"We are expecting something good from it," he added. Aftab ul Islam, chairman of Asia Pacific General Insurance, and Farzanah Chowdhury, managing director and chief executive officer of Green Delta Insurance Company, were also present at the event.