

TAMING CORONAVIRUS RAMPAGE

Inflation up in March

STAR BUSINESS REPORT

Inflation edged up slightly in March owing to the rise in prices of non-food items although coronavirus-induced panic-buying before the country was placed on a lockdown made some food items expensive.

General inflation rose by only two basis points to 5.48 per cent from 5.46 per cent last month, according to data released by the Bangladesh Bureau of Statistics (BBS) yesterday.

Food inflation dropped 10 basis points to 4.87 per cent, while non-food inflation went up 22 basis points to 6.45 per cent.

In rural areas, inflation was up three basis points to 5.47 per cent. Food inflation fell by three basis points to 5.06 per cent and non-food inflation edged to 6.27 per cent, up 15 basis points from February.

In urban areas, food inflation fell from 4.7 per cent to 4.44 per cent and non-food inflation from 6.36 per cent to 6.69 per cent in March, increasing the inflation by one basis point to 5.49 per cent, BBS data showed.

Although food inflation declined across the country last month, the prices of some items rose in Dhaka city due to panic-buying before the lockdown began March 26.



For example, the prices of two varieties of rice, potato, lentil, salt, garlic and ginger rose in March compared with February, BBS data showed.

The price of onion fell from Tk 120 a kg to Tk 82 owing to a supply glut.

The prices of wheat, fish, egg, brinjal and green papaya remained unchanged from February.

The government has targeted a 5.5 per cent inflation rate this fiscal year. It was able to contain it at 5.48 per cent last fiscal year, which is comfortably below the target of 5.6 per cent.

In a report in late February, before the first confirmed cases of COVID-19 in Bangladesh, the finance ministry said the crash in oil prices might help the country keep its current account deficit and inflation lower.

For computation of the Consumer Price Index, two consumer baskets are used: urban basket and rural basket. In the urban consumer basket, 422 commodities are included and in the rural one 318 food and non-food items.

The BBS collects price data from 140 main markets -- 64 from urban, 64 from rural and 12 from Dhaka city corporations -- across the country.

Qatar Airways helps thousands of Germans reach home

STAR BUSINESS DESK

Qatar Airways has helped thousands of Germans reach home from different countries amid the worldwide flight cancellations and travel restrictions enforced after the novel coronavirus outbreak.

"While the government has restricted entry in Germany since March 18, the airline continued to operate flights for German nationals and their family members, as well as other nationals residing in Germany," the airline said in a statement recently.

These flights include triple daily service to Frankfurt and daily service to Munich.

The move was discussed in a meeting between Qatar Airways Group Chief Executive Akbar al-Baker and German Ambassador to Doha Hans-Udo Muzel.

Muzel expressed his gratitude to Qatar Airways for flying thousands of Germans from all over Asia to their homes in Germany at this crucial time, in spite of the challenges faced in the aviation industry posed by the global pandemic, flight cancellations and various airport closures, the statement added.

Qatar Airways recently launched a new commercial policy to allow all passengers the flexibility to alter travel plans up to three days prior to departure for flights booked till September 30.

This flexibility enables passengers to change their travel plans free of charge by altering the dates of their booking or exchanging their ticket for a travel voucher valid for one year.

Barvida seeks port rental waiver until Dec

The association prepared a set of demands to recover losses due to Covid-19

STAR BUSINESS REPORT

Reconditioned vehicle businesses have sought waiver on port rent charges until December from the government for the vehicles they brought in through Mongla and Chattogram ports.

They also demanded a halt in the car auction process until December, which the customs authorities organise in ports.

Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) made the call at a time when import and marketing of vehicles have come to a close because of the Covid-19 outbreak.

Barvida is a big source of revenue for the government and they pay thousands of crores of taka a year to the government exchequer as tax,

the association said in a statement yesterday.

The members of the platform now fear massive losses, as their imported vehicles have got stuck in ports due to the government's restriction on people's movement amid the coronavirus outbreak, it added.

"Covid-19 will leave a huge impact on the economy and it is an unavoidable situation," Mohammed Shahidul Islam, secretary general of Barvida, said in the statement.

"It will be tough for the Barvida members to survive if the situation continues for a long time."

The association has prepared a list of demands, which will soon be sent to Finance Minister AHM Mustafa Kamal, he said.

The platform thanked Bangladesh Bank for introducing a loan instalment facility so that

businesses do not become defaulters because of financial losses due to the coronavirus.

However, it demanded extension of the facility until December to help them recover the losses.

The association also wanted interest-free or low-cost loans from the banking regulator based on the annual turnover of the businesses.

Cash incentives should be provided to the reconditioned vehicle businesses, as they are struggling to pay staff salaries at a time when imports have come to a halt, it said.

A recommendation was also placed where the association wanted the utility and all other related bills to be suspended until June so that they can concentrate on other fields to do business and recover the losses.



Officials of KDS Group hand over personal protective equipment and masks to the officials of Chattogram Medical College Hospital at the hospital recently. The group also donated similar items to six more hospitals in the port city and Chattogram Metropolitan Police.

KDS GROUP

ROUNDTABLE



The Daily Star



Making finance resilient to the smallholder farmers

Brig Gen Shahedal Anam Khan *ret, psc (Retd), Moderator of the session*
We are still a heavily agro-based society and economy. Perhaps the most neglected are those that are feeding this economy -- the farmers. Because of the absence of available facilities from the financial organisations, farmers suffer. We hope that we can bring out some pointers today to help achieve the goals of today's discussion.

Prabodh Dakota, Assistant Country Director, CARE Bangladesh
Smallholder farmers are usually skeptical about loans due to factors such as unpredictable prices, frequency of natural disasters, etc., that put their crops at risk. However, they are also aware that though repaying schemes are difficult, many farmers can still benefit from such schemes.

We need to look into how the government, private sector, and the development partners can, through their collective efforts, transform the lives of smallholder farmers.

Maruf Azam, General Manager, Krishi Utsah, CARE Bangladesh
The smallholder farmers don't have proper access to capital, the capital doesn't reach them in a systematic way and the capital that they obtain is too costly. Natural calamities affect crop production. Quality inputs -- for example, fertilisers, seeds, insecticides, food for domestic animals -- that they use are adulterated. The transaction cost is very high making it quite impossible for them to reach a certain level using their own distribution channels. Moreover, they lack information and knowledge about mechanisation and modern technologies that can help to efficiently cultivate crops.

To tackle these challenges, in 2016, CARE Bangladesh launched "Krishi Utsah". It aims to make quality agricultural resource available for the marginal smallholder farmers.

There are informal intermediaries who are the market actors and cannot be removed from the whole process. So, we thought of transforming these intermediaries. In that way, they can provide good quality inputs without having to increase the price, while maintaining the quality of life they hope to achieve along with a good profit. We monitor a network for the agricultural input sellers or smallholder shop owners of the rural areas and provide them with adequate training and help them identify the right products. If we accommodate female-friendly schemes, it would benefit the society of marginal farmers a lot.

Ahsan Habib, Professor and Director (Training), Bangladesh Institute of Bank Management (BIBM)
When farmers harvest their crops and store it, it becomes risky for the people, as they might start feeding themselves from the portion stored for the people. So we are forcing them systematically, to sell the crops, and repay the loan as soon as possible. Bangladesh Bank extended the loan repayment period for farmers to six months. But the risk for me increases as the goods are still with the farmer. We are taking the money from farmers, giving it to the middlemen who are buying those crops, and storing it in their warehouse. The intermediaries are benefiting from all those institutional finances. Warehouse Receipt System can be introduced to overcome this problem. A commodity market is also required at the same time though that will be difficult to implement.

Promoting farmers' cooperatives is required besides proper cluster financing. However, cluster financing has still not been properly identified. Moreover, the smallholder farmers' services should be considered as public goods because they are producing 80 percent of the food.

Dr Swapan Kumar Bala, Commissioner, Bangladesh Securities and Exchange Commission (BSEC)
The primary requirement for commodity exchange has not been fulfilled yet. There are insufficient numbers of warehouses for this. Quality testing is required, which will ensure its



CARE Bangladesh and The Daily Star jointly organised a roundtable titled "Making finance resilient to the smallholder farmers" on March 9, 2020. Here we publish a summary of the discussion.

securitisation. This security will then become tradeable in the secondary market. It is delivered from the warehouse when the final consumer decides to take it. However, securitisation can cause maturity mismatch. Mass awareness is required about this process. Agreements like collateral management agreement or storage monitoring agreement need to be securitised, to make the exit easy. Introducing Warehouse Receipt System may enhance transparency within the process. A separate regulation for commodity exchange should be authorised.

Md Ahsan Ul Alam, SVP and Head-Agent Banking, Bank Asia
The agricultural input market is good, but the problem lies in the output market, due to which the farmers are not receiving fair pricing. A formal chain should be there which the government, private, and development organisations can help create.

The need for monitoring causes costs to increase when financing farmers. If banks are forced to stay within single digit interest rates even after these costs, they will not be able to compete with informal banking, and will no longer be sustainable.

Milton Roy, Head-Agent Banking, NRB Bank
Easy access to banks has been provided to farmers and ordinary people through the introduction of agent banking, since the agents are locals. However, this makes it difficult to identify the real farmers. Insurance helps mitigate risks concerning weather and climate, but if a strong market monitoring facility in Bangladesh is not implemented, insurance will become useless. Using advanced technology can increase production but our farmers are still not receiving this technology. Farmers' skills development programmes are also necessary.

Ali Tareque Parvez, SVP, Agriculture Insurance Team, Green Delta Insurance Company Ltd
There is a 15 percent VAT on every insurance product, which should be reduced for the agricultural sector. This VAT causes premium rates to increase from two percent to three percent, which is unreasonably high for farmers.

Everything related to resilience financing and climate change issues is insurable. The entire supply chain can also

be insured, but the issue is with pricing index. This would require a benchmark, since these matters are controlled by the government. The government can also provide back-end support to the financial institutions through funds or common pools.

Md Nazmul Hasan, Head-Agent Banking, BRAC Bank Ltd
Small-ticket loans already have an interest rate below 10, so banks don't earn here. Hence, agricultural financing is done through MFIs. The lack of distribution channels is another obstacle. The introduction of agent banking has opened up a channel and access.

A digital lending approach is required in loan processing, through which on-time loan delivery will be possible. When giving out loans, banks are worried about the certainty of repayment within the specified period, and also require assurance that the given loan is being used properly. A comprehensive policy is required for this.

Shahnaz Akter Shabin, AVP and Head-ACD, Bank Asia
Banks are now coming forward to reduce transaction costs. They have developed some special products for the SMEs which have reduced their transaction costs significantly. Banks also have some additional or hidden charges which they are no longer implementing for the smallholders or the agricultural borrowers. Smallholder loans have also been digitised to ensure the loan reaches the farmer within 24 hours.

Sajadul Haque, Head-ADC, Pragati Life Insurance Ltd
There is no scope for corporate social responsibility (CSR) in life insurance, since this uses public money. The biggest challenge in selling insurance products is the lack of trust and awareness. People search for insurance only after falling ill, but no policy allows selling insurance to an ill person.

S M Ziaul Hoque, CEO, Chartered Life Insurance Co. Ltd
The primary problem in insurance for farmers is ensuring collateral loans, or setting up a cooperative model. Alternatively, banks and insurance companies can create embedded product insurance, where the loan will be secured by the insurance company. Then, there will be no need to buy insurance

separately. Loans targeting farmers for their products can be insured through bundling. The product will receive insurance coverage from non-life insurance companies, while we will provide coverage for the credit.

S M Saiful Islam, Head-Agri Finance, BRAC Bank Ltd
It takes months to obtain permission from Bangladesh Bank for piloting projects because they perceive insurance as a cost, not risk coverage. BB mentioned it was not possible for them to give insurance to farmers that incurs more than nine percent costs, since they only provide agricultural loans of nine percent. Therefore, bundle products are out of the picture. Since BB kept denying permission, we decided to carry out a pilot so that BB could change their decision on the basis of the pilot's results.

Ahmed Aslam Al Ferdous, Head-Agent Banking, Dutch Bangla Bank Ltd (DBBL)
Commercial bankers don't have the expertise to manage agricultural loans, but recently, we were able to send agricultural products to rural areas with the help of agent banking and MFI channels. However, the infrastructural cost is very high as MFI lending interest rate in rural areas goes up to 30 percent cost. At this scale, banks have to bear high costs. Even if liquid MFIs are used, there is still a high interest rate for the agricultural farmers. Banks should individually bring out products specifically for agricultural loans, not influenced by the government only.

Aamanur Rahman, Director-ERPP, CARE Bangladesh
Pre-harvest and post-harvest processes, which are dominated by female workers, are not considered part of farming, which means these processes don't get insurance coverage. If the entire supply chain is covered, gender integration will be possible.

There is pressure on reducing the agricultural loan interest rate from nine percent but even a five percent interest rate is too high for farmers. The government could share risks with the insurance companies.

After approval from BB, we recruit the agents. Some of them are creating farmers' organisations and providing farmers with financial literacy. They are also attempting to change people's attitude towards savings and working to mitigate the challenges farmers face in the market when trying to get good prices for their products. They are also maintaining the output price in the market so that farmers can repay the loan.

Mohammed Shaikat Ali, Chief Risk Officer (Acting), NRB Bank
We are financing the farmers, and ensuring insurance for them as a risk management tool, but we don't have a process for ensuring price. The proposed model has to have a selling perspective to determine sales after the monitoring process. If big companies and supermarkets can prepare a dashboard to monitor the kind of products that are being produced and the expected date of harvesting, further development could help the process reach a level of future contracting.

Saifuddin Ahmed, Adviser-Social Services, CARE Bangladesh
We have to understand the potential capacity that agent banking can reach since it is being used as a vehicle to reach out to farmers or consumers. What are we, the commercial banks, doing to maximise the capacity of the agents?

Kohinoor Akhter, Senior Technical Manager, CARE Bangladesh
Bank agents are entangled in many problems which render it impossible for them to work successfully. No scope is being created for banks to be benefitted by the agents.

Mahfuz Anam, Editor and Publisher, The Daily Star
There are a range of issues involved in helping the smallholder farmers, through insurance, bank loans, and the formula and implementation of those initiatives. We wish to report all these issues, including all the regulatory problems that you face.